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THE IRON CIRCLE



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THE IRON CIRCLE

THE FUTURE OF GERMAN INDUSTRIAL EXPORTS

*Practical Suggestions for Safeguarding the Growth of
German Export Activity in the Field of Manufactures
After the War*

BY

S. HERZOG

CONSULTING ENGINEER

THE GERMAN PLAN TO DOMINATE THE TRADE OF
THE WORLD, DRAWN UP BY ONE OF THEIR LEAD-
ING ENGINEERS AND OBTAINED FROM GERMANY
BY THE UNITED STATES FOOD ADMINISTRATION

With an Introduction by

Herbert Hoover, Vernon Kellogg, and Frederic C. Walcott

TRANSLATED FROM THE ORIGINAL GERMAN BY
M. L. TURRENTINE

HODDER AND STOUGHTON

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PREFACE

THROUGH many years of activity as an industrial expert the author has gained an insight into the conditions of German industry and into its export activity. He has had an opportunity to compare its development and efficiency with those of other foreign industries. The War has created conditions and will be followed by circumstances which will shape and determine Germany's export trade in the future. These conditions must be taken into account and suitable measures adopted in preparation. New trails will have to be blazed if we are to overcome the obstacles ahead. An enormous task, worthy of the German people, is to be performed. The Author ventures to hope that the present work may be able to contribute a little toward its accomplishment.

THE AUTHOR.

INTRODUCTION

“IF there is anything to be gained by being honest, let us be honest; if it is necessary to deceive, let us deceive.” Thus wrote Frederick the Great in the middle of the 18th Century—the man who laid the foundation of Pan-Germanism, which this world war was expected to achieve. Not content with dominion by force of arms, we find Germany plotting for commercial supremacy, with that insolent disregard of the rights of others and that resort to deception that has characterized all her policies since Frederick the Great’s reign.

The book of which this is a translation was written by an eminent German engineer and economist, and published in 1915, during the second year of the war. This book presents ingenious plans for driving home commercial victories at the expense of the trade of other countries. Like all of Germany’s plans

affecting other nations, the entire conception depends upon deceit and a superselfishness; not one word touching upon reciprocity, not one word in recognition of any international obligations.

It was obviously written exclusively for home consumption, and not intended for those outside the Iron Circle. It should be a warning to us. We should study it with care, and keep our eyes and ears alert for other warnings of this sort, that in peace we may be prepared to meet this design of commercial rapine, this crushing of the industries of other countries.

For forty years the Germans have been plotting to realize their dream of Pan-Germanism—eventual world conquest and dominion. For two generations they have been thinking in terms unknown or little understood by an innocent and unsuspecting world. The Prussian philosophy that might makes right, that the State is supreme, has completely possessed the ruling and upper classes of Germany, both military and commercial, until deception and fraud form the background of their most important international relations and undertakings. They have made Germany an inherently dishonest nation.

Their military plans were successfully concealed for years, and when their dreams of conquest did outcrop occasionally, there were few with an intimate enough knowledge of the complete premeditated and systematic degeneration of the German official character to read the handwriting on the wall.

Well-organized and comprehensive espionage and insidious German propaganda have been at work for two generations to plan the success of German victories. In the early 90's of the last century, the German Volksschule was organized to teach the masses absolute subserviency to the upper and governing classes, whose education diverged from that of the lower classes at the age of seven or eight. The education of these two classes has been so divergent for thirty years that the effects are now clearly traceable in the younger men in the Army, as contrasted with the members of the Landsturm Army. The Landsturm men are much more humane, and have a restraining influence in the Army. They have not been guilty of the excesses that are chargeable to the younger men. The younger men, schooled from infancy under the new system to obey orders in a machine-like way, under Prussian leadership, have become so ruthless,

so cruel, that the entire civilized world looks on aghast.

German rule means the breaking-down of all order, the exchange of personal liberty and national freedom for force, of right for might, of justice for the mailed fist.

The world should have been forewarned. Books were written, maps constructed, by well-known German authorities for the enlightenment of the German people, and these books reached the outside world, but civilization, accustomed to the pursuits of peace, turned a deaf ear, and is now paying the penalty for refusing to see and hear.

Now another conception comes out of the heart of Germany, that threatens the commercial interests of unsuspecting nations—carefully thought out, with characteristic German thoroughness, openly advocating the breaking down of all business ethics, relying upon trickery and circumvention to gain their end. This promises to stop at nothing, from national dumping of goods to crush competition to false labels and disguise of the origin and the breaking of contracts that prove disadvantageous to the German.

Let the manufacturing and banking interests and the labouring and professional classes of

all nations be warned in time to devise antidotes and counter-attacks to the Machiavellian devices of a class gone mad with lust of conquest, deliberately plotting to fatten itself upon the life blood of other peoples even after the war. Let us consider in making peace what protection we can give to the commercial existence of the freed nations.

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U.S. FOOD ADMINISTRATION,
WASHINGTON, D.C

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NOTE TO THE READER

THE contents and interesting points are summarized in one page preceding each chapter. By this editorial note it is hoped to help the reader visualize and more fully realize the significance of the text written in true Teutonic style.

THE GRAND STRATEGY OF THE
GERMAN COMMERCIAL OFFENSIVE

In this chapter the author blandly admits that after the war the entire world will regard the Germans with a hatred so bitter that even the commercial treaties they expect to dictate and write in blood will not prevail to open a cordial channel for their industrial products.

Notwithstanding this the Germans still plan and expect to dominate the trade of the world. For trade to them is simply another form of combat to the death. And for this they are organized and prepared.

Their export trade in its maximum proportions is to be forced down the throats of America and the Allies. The invincible weapon is to be the "unsurpassable goods" produced by "indispensable industries,"—monopolies conducted under military system, rigidly confined to German soil, and guarded by an impenetrable veil of secrecy.

CHAPTER ONE

THE GRAND STRATEGY OF THE GERMAN COMMERCIAL OFFENSIVE

All Commerce a War—The World a Battlefield—German System and Organization preparing for the Campaign—Industrial Genius, the “Terrible Weapon” of Germany—The World’s Hatred as a Liability—The Crime of Transplanting German Industries—The Suppression of Scientific Intercourse.

A. INTRODUCTION

SUCCESS can only be obtained through systematic methods and thorough preparation. The military and economic accomplishments of Germany form the clearest proof for this assertion. The necessity for its application is evident wherever results are to be obtained without waste of energy, by the shortest route and with the least expenditure of material, mental, and financial power. Eyes wide open to the situation, and a mind intent on the goal are essentials of success. Far-sightedness and care form its foundations. The more carefully these virtues are cultivated,

the firmer becomes the foundation, and more profitable the whole enterprise.

Nevertheless, the strongest buildings with the firmest foundations are liable to give way before the interference of outside forces, whose origin and presence could not be reckoned with during the construction. In such cases the builder adopts the quickest expedient possible, broadening and strengthening the foundations to support the props and stays which will counteract the outside forces. A manufacturer is invariably resourceful in perfecting his own processes, but in the practice of economy he is not, in spite of the fact that in the latter case as in the former the same fundamental principles hold good even if the nature of the expedients within command is different.

INDUSTRIAL GENIUS, THE "TERRIBLE WEAPON" OF GERMANY

One of the strongest girders which has been wrought into the fabric of the German Empire, whose trustworthiness, though suspected by many, has been recognized by the whole world only through the fortunes of war, is Germany's genius in industry. A nation which was once a leader, but which in the course

of time became backward, even in industry, thought herself so threatened by the potency of this economic weapon that she kindled the most terrible and fearful of all world conflagrations. But this genius has proven impregnable in the face of all attacks. Its might and sharpness are now freely admitted by the enemies who thought to shatter it. Because the weapon is so terrible, because German industrial genius is showing itself superior to all opposition even in military affairs, hostile ingenuity in the future will direct itself before all else toward undermining this mighty bulwark of the German pile. After all, we cannot blame the enemy so much for that, but we must make his mole-hill labour thoroughly unpleasant for him and must prevent his getting at the bulwark's foundation. Industrial exportation, however, forms the most important part of this foundation. German manufacturing skill, which surely cannot be accused of having lain dormant in the last four decades, appears to the world in the terrible times of War like a giant who suddenly begins to stretch himself with unsuspected vigour, after a long rest; like a mountain giant who rends the massive rocks as he lifts himself to his full

height. The foundation must be broad and strong if it is to permanently and safely carry the new construction resting upon it. German skill in industry and manufacture has developed within itself unexpected versatility and strength since the outbreak of the war—new powers ever springing magically from the old—and all built upon the same foundation! To correspond with such a sudden expansion that foundation must be broadened and made firm. The clue to this is offered by the *Export Trade*!

There lies in the air, there lies unexpressed on the lips, there leaps constantly from mind to mind the question: *What of Germany's industrial exports after the War?*

THE WORLD'S HATRED AS A LIABILITY

For peace will come, yet hate will remain in the hearts of those who have conjured up this bloody struggle and who are inferior therein, morally, physically, and economically. Hate is the worst of all competitors; for it can stop all purchasing of supplies by denying itself even the most indispensable articles, at least for the time being; and when there is at length no other alternative, it will order what it must have, even perhaps at ruinous

prices, from every other producer, rather than from the German. "Study your neighbour and you can excuse his faults"; that is the watchword for the future. Its application will be elucidated farther on. To overlook the self-love of another is always difficult, for self-love is egoistic; to avoid offending the self-love of hate, the greatest in the world (for it feeds for ever on a delusion), is a colossal task. Yet it must and assuredly will be performed (what must be done, the Germans can do; that is a lesson of this war). To outline the nature and extent of this one problem, among many which are to be discussed farther on, will be a task of these observations.

The sagas and histories teach that after the old Germans made peace and buried their battle-axes, they also prepared an enduring grave for their hatred. In this custom as in other respects the Germans of to-day have remained true to their forefathers. But other nations feel differently. Time is indeed the great healer, but German industry has no time to wait. It must open up for its suddenly awakened powers new and greater fields of activity; it cannot fold its hands in its lap until a new generation has grown up in the

land of its former opponents, a generation which knows only from books the horrors and losses of war. For that is how long it would take! Well is it said that the nations of to-day can no longer get on without each other, that they are interdependent. All the more difficult will mutual intercourse become, for it will be dictated by the force of circumstances, and coercion only adds bitterness to the unbearable. He who reckons without this factor in the future, reckons amiss. Germany's export trade must gird itself to cope with this condition. It must enter hatred as a liability. In order to balance this entry it must have at its command the asset of ever-increasing material and mental vigour and foresight. That will be difficult. But difficulties only add zest to the accomplishment.

To the moot question of the future of German industrial exports the stock solution offered everywhere is that: "This must be left to the future treaty of peace and to the commercial treaty then dictated." The answer was easy. Nevertheless the solution is false, even apart from the fact that the par value of treaties has reached *nil* and will not immediately recover from its slump—using this

word in both a material and ethical sense. The most recent past teaches that: "He who would keep treaties does not need them, he who chances them—takes his chances." To be sure, economic questions will play a great rôle in the peace negotiations. But upon the new commercial treaties which will then come, Germany's export trade can scarcely base its sole reliance. Commercial treaties will—perhaps—open new paths; German industry itself must make these practicable. Even the most favourable customs arrangements are of no value if for chauvinistic or economic reasons the anticipated buyer will take nothing from his former enemy. He will scarcely listen to a "Must"!

The experts preach: "International commerce cannot cease permanently; international exchange of goods must begin again after the war." It will probably be thus; yet who will guarantee that in future Germany's manufactures will not be eliminated or at least in the main excluded from international commerce through the passive resistance of her present enemies, of whom there are, to be sure, more than is necessary and profitable? This is possible, in fact almost probable, wherever it can be done! What was not

attainable by force of arms or by an unheard-of, even if vain, starvation policy—the beating down of the Germans—will be attempted by the slow poison of the unconfessed boycotting of German products. Against that, also, we must be forearmed, even at the risk of our preparations proving unnecessary, because things turn out better than can be anticipated. Optimists will probably point out that the manufacturing industry of Germany can do things outside the capacity of any other country. As a classical example in support of this assertion they will cite, among others, the case of the German chemical industry, and the embarrassment in which her enemies found themselves when no longer able to import certain chemical products from Germany. In cases of superiority like this, measures may perhaps easily be framed to meet the open or concealed attacks of her enemies upon her export trade—measures, speaking unambiguously, which will put the screws on them. Compulsion can be exercised in war, never in peace, otherwise it is not peace at all. Commerce which is supported at the point of the bayonet cannot be maintained permanently; it is in its essence unsound. Whoever reads a startling article

in the leading English technical magazine, discussing measures to be used in future against German industry, will be convinced that only with the making of peace will the full conflict in the realm of manufacture break forth—a conflict whose objective is the export trade of Germany. In that paper there was proclaimed an economic warfare, based to a certain extent upon science—a warfare to gain the mastery over German industry. No German manufacturer will be disturbed on this account. Rather he will see in it a spur to increased intellectual activity. Nevertheless, this article has warned us to be on our guard, especially since it centred above all else in a proposal to transplant the fruits of German industry—in actual practice—to English soil. Should this succeed, German industrial exports would be severely hit.

THE CRIME OF TRANSPLANTING GERMAN INDUSTRIES

It is therefore essential for us to get clearly before us measures which will knock the bottom out of the scheme of transplanting. It must be admitted here and now that to transplant an invaluable industry is possible, that it brings for the moment great material

advantages to employees from the mother country who promote it, and to those who place themselves in its service, and that if it succeeds it can throttle the mother industry in her influence upon the market of the country to which it has been removed. Examples from recent years bring this fact before us in startling fashion; merely call to mind the transplanting of the watch, silk, and embroidery industries, due for the most part to the selfishness of single individuals. The countries to which they were removed had formerly supplied themselves solely through importation; but thereafter, to the injury of the mother country from which these industries came, they not only made themselves independent as far as their own needs were concerned, but even became strenuous competitors of the mother country. Farther on, we will discuss ways of meeting such a situation.

The idea of economic "compensations" has for the first time reached practical realization on a large scale through the war. The neutral powers in particular resorted to it in order to supply their vital needs and maintain their economic existence. Compensation has become a weapon in international economic

warfare, and will probably remain after the war in international commerce. It will become effective to the degree that transplanting of industries is prevented; for by transplanting compensation is rendered futile. Farther on we will inquire into the rôle which compensations—only those, to be sure, whose value can be maintained undiminished for a long time—will play in the future commercial treaties. The possibility of their exerting a decisive influence can scarcely be called in question in the light of present experiences.

Experience teaches that state control—when it is exercised as is the German in far-sighted and ingenuous fashion (a lesson we are learning from the war)—becomes an armour, protecting our domestic inventions and industrial achievements in such a way that these acquire a value as compensations. This state control will be exercised in a manner adapted to peace times, and without the severity which war doubtless requires. It will apply to industries which have not yet been robbed of their fruits by foreign countries. In this connection what we are advocating is not a sort of state tutelage or guardianship. This all too easily resolves into a hindrance to development. But what is meant is state protection,

which takes care that what has been sown on domestic soil is also reaped on domestic soil. The question of primary importance here is not what protective principle is to be chosen, but what parties are to be entrusted with establishing it. That these parties must be taken from the industries in question, is evident, and also that expert and disinterested government officials must be associated with them in order to forestall any selfish policies which could be harmful to the common welfare. This protection essential to industry will extend not only to the materials with which industry works and to the intelligence which devised its processes, but also to the proprietor of the materials, and to the brain workers or hand labourers. It is clear also that coercion must be used where benevolent protection is not sufficient. For the transplanting of domestic industries, which have been hitherto beyond the grasp of foreign countries, must be prevented for the general good, even if private interests suffer on that account. The damage thus caused will ordinarily be only a matter of dollars and cents to private individuals, and without doubt will remain within easily supportable limits. The demand for a police-state (the outworn cure-all for

every ill) finds no support nor echo in these discussions; that should be especially emphasized.

THE SUPPRESSION OF SCIENTIFIC INTERCOURSE

Some one may raise the objection that by measures of this sort the scientific intercourse which took place between the nations before the war will be suppressed, to the detriment of science and progress. Such a reproach is scarcely justified, for exchange of ideas of a scientific nature can never be stopped, primarily—to tell the honest truth—because its universal source is selfishness, the natural impulse to enrich oneself, to out-do one's fellow-men, to work ahead and push upward. The form of international scientific intercourse and exchange may perhaps be altered, in fact that is even probable; its essential nature and purpose will remain the same. The international scientific congresses which lapsed more and more into festivities will probably be discarded for a considerable time, at least so far as the holding of conventions goes. This ought not to be any cause for regret, for the actual scientific work was always done long before the congresses, and

merely found in them its external evidence. Exchange of ideas and opinions, though limited and constrained because of the feelings of the times, will go on. It may take place only in writing, but such correspondence was conducted in the past anyway, notwithstanding the verbal intercourse which preceded it. Where scientific conventions of an international nature have the unconfessed purpose of prying into the secrets of others, they must be stamped as dangerous, if there is involved any question of industrial improvements, whose value as compensations is clearly evident. The just historian must in any event record that the breaking of international scientific unity, which unity reached its height and found outward expression in the scientific academies in various countries, did not take place through the Germans. It was earlier believed that science is elevated above the emotions of the nations. The immediate past teaches that the emotions are mightier than science, that they brusquely and trivially break the bonds which have been joined by science in the course of centuries (presumably for eternity). In the face of such events as this, which were once thought impossible, mistaken sentimentality is soon silenced. Refinements of feeling between

different countries have a way of vanishing into thin air, especially where they are forced and unnatural. Necessity stands above desirability; maintenance of the value of compensations under certain circumstances can be a necessity before which everything else must give way.

FORGING THE THUNDERBOLT

To be invincible, "the unsurpassable goods," by the lack of which Germany is to strangle us into swallowing the whole output of their factories, must be independent of nature's materials found in Alabama, New Mexico, Chile, and other "prejudiced" countries. Well, they have this planned also, as this chapter shows. Mobilized and drilled, the scientists of the Empire will be incorporated into the export army and under discipline are to produce Prussian substitutes for all such necessary raw materials.

The Germans propose to take drastic action to meet what they call the menace of great stores of surplus capital which America has accumulated through what they term the regardless and barbarous manufacture of murderous war supplies. One of the principal manœuvres will be the adoption and improvement of the American system of standardizing manufactures.

CHAPTER TWO

FORGING THE THUNDERBOLT

Safeguarding Strategic Secrets—The “Shining Success” of “Unthinkable Authority”—Mobilizing the Scientists—Inventing Substitutes for Allied Materials—Checkmating Nature—“Treaties,” a Temporary Expedient—Meeting the World’s Prejudice with Guile—Denationalization, a Commercial Masquerade — Soothing Propaganda — Meeting the American Menace.

THE *protection of compensation values* will very often amount to the *protection of manufacturing secrets*. It must be confessed that up to the present time much remains to be desired in this respect. Lack of organization is most of all to blame. As a consequence too many are initiated into the secrets. Financial shortsightedness is also a cause. The protection of manufacturing secrets is the best safeguard against transplanting, provided of course that the possessor of the secrets of manufacture, whether he be the rightful one or not, does not wish a transplanting. If the financial returns remain within satisfactory limits, the desire to migrate will not arise; in other

cases measures such as will be discussed farther on are necessary.

The state protection which will eventually become necessary can be prepared for in an effective way by the formation of certain associations that will take protective measures in the interest of their own members. Such measures will have the purpose of preventing a transfer of valuable industries to foreign countries. Upon the degree of protection afforded by such associations of the industries concerned, will depend whether state protection can be regarded as superfluous or not, and whether the association in a certain degree acquires a standing as an organization representing the State, or is officially recognized.

THE "SHINING SUCCESS" OF "UNTHINKABLE AUTHORITY"

War conditions have caused organizations for the purchase, sale, and distribution of material to spring up in our economic life, the possibility of whose formation every one would have doubted before the outbreak of war—economic organizations with formerly unthinkable authority, and operating, perhaps for this very reason, with shining success.

Smooth off their rough edges, which are the result of hasty formation and the exigencies of war—though in no case, as the present shows, has this crudity been unbearable—and you can easily imagine similar bodies in times of peace. Since there will then be no pressing haste, they can be still better organized, and designed primarily to *keep certain superior industries located exclusively in this country*. They may also create and maintain or receive valuable compensations.

Similar bodies might also be given the duty of co-operating with the Government in providing against any possible shortage of certain raw materials. These could be collected or manufactured directly by such bodies, or indirectly at their order. Just as little as foreign countries, notwithstanding all commercial treaties, can be compelled to buy German products, so little can those which remain entirely self-supporting be induced to supply German industries with raw materials which are not procurable in our own land in the necessary amount and quality.

It must be admitted that Germany's export trade—at least in certain products—can be stopped if the procuring of raw materials be rendered difficult or cut off entirely. Re-

membering the rings which in the past have brought under their thumb the control of certain raw materials in order to be able to manipulate prices at will, one can just as easily imagine rings able to buy up particular raw materials because of their correspondingly strong financial resources (perhaps even with the concealed support of the State). They will then bring pressure to bear upon the industry of another country, to extort certain concessions which will be detrimental or even fatal to the latter's industry or export trade. Where the weapons of war could accomplish nothing, duplicity will step in and continue the conflict under the token of the olive branch of peace. Germany's export trade will have to reckon with obstacles altogether beyond calculation at the present: it must therefore be prepared at every point.

Associations which can effectively oppose foreign rings of the nature mentioned above must be gotten well under way in advance. These associations will be able to do their work all the more vigorously, in proportion to the firmness of the cement which, in future, must bind together all German industries of whatever kind they may be. A state of commerce has always been in a certain sense a

state of war—a peaceful state of war, if one may use the word, which served peaceful ends as long as peace lasted, but which always lent itself to warlike designs, whether there was a war or not. To be prepared means to have at one's disposal reserve energies sufficient for any emergency. German industry must have at its command invincible powers of resistance if it is to guide its export trade into safe paths and protect it against treacherous surprises and assaults. An assured supply of every kind and amount of raw material needed from foreign countries is one of the preliminary necessities for the future developments of Germany's trade.

MOBILIZING THE SCIENTISTS

Where, however, a buyer finds chauvinism blocking him when he tries to purchase raw materials, he will often get the worst of the deal, no matter how great his capital. Chauvinism is a sort of deluded blindness, and when light is wanting, even the gleam of gold loses its influence. Where purchasing power or inducements of other sorts become ineffective; where stubborn malice, to its own detriment, gets the better of reason; there

German science and German intellectual resourcefulness must turn the scales, and, if necessary, bring forth the requisite materials from nothing at all. (A reminder of the preparation of fat and saltpetre by Germany in the present war will suffice to throw light upon this sentence.) The power of the intellect is supreme and invincible; in comparison with it, the power of money fades into insignificance. The "Research Companies"—a German invention—and the numerous research departments and laboratories in individual companies can be looked upon as guides in forming associations, the purpose of which will be to furnish Germany's export industries with raw material when commercial treaties and capital fail to bring it within reach, in spite of abundant supplies. These associations must develop artificial substitutes for natural raw materials, when the latter might possibly be cut off from German industries. They must use the resources of science to bring about *independence from foreign materials*. This is no Utopian dream; it is a probability of the immediate future, and can be brought to pass just as soon as all special interests are pushed aside and all activity (as at present) directed toward serving

the country—toward increasing its might and strengthening its power. Independence from foreign material is, then, another factor strengthening the export trade. We will discuss it at greater length farther on.

“TREATIES,” A TEMPORARY EXPEDIENT

Associations of the above-mentioned kinds ought even now to be in process of formation, so that they can perform good, timely service of an economic nature in the peace negotiations. At the time when future commercial treaties are being drawn up, they can render invaluable assistance by seeing to it that German industry is placed on an equal footing with that of other countries and by getting obstacles out of the way beforehand, which later will be difficult or altogether impossible to remove.

The word “treaty” has acquired such a bitter connotation in the course of the months which have gone by since the outbreak of the war that people no longer take much stock in it. Sentimental considerations, however, have no place in the hard world of business. Commercial treaties will come again like other international agreements, and probably will also be broken again. They must be couched

in such terms that they bring advantages to the export trade as long as they are kept, and do not threaten its existence when, for a little variety, they are arbitrarily abrogated. That is to say, a purely economic (not military) suppression of the export trade, through the general breaking of commercial treaties, must be impossible in the future. German industry must build its export trade upon such a foundation that it can enlarge unimpeded, and that interruptions in its work can be suppressed immediately—independently of the outside world. Commercial treaties can prevent impediments from arising, if the parties so desire; but not otherwise.

The export trade may be embarrassed and impeded also by the fact that its goods are of *German* origin, and bear the *German* trade-mark, and that the manufacturer is located in Germany and ships from there.

DENATIONALIZATION, A COMMERCIAL MAS- QUERADE

All these obstacles can perhaps be removed, but the most difficult are those through which the German character of the export product is visibly and immediately recognized by

foreigners in general. Let there be no misunderstanding on this point. German goods can never belie their origin to the expert user, because an ineradicable stamp has been impressed upon them by their two chief peculiarities—"care in manufacture," and "complete fitness, economically, for the use to which they are to be put." This stamp is an automatic result of the manufacturing process, and sets them well above the products of foreign competitors in spite of similarity in other respects. The far-sighted manufacturer does not, of course, content himself with the advertisement thus afforded, since it reaches only the man who already uses the goods. He endeavours to make his goods known to a broader circle through special means—propaganda—in order to win more customers.

The usual way of accomplishing this is to call attention to the name of the firm, its location, and its trade-mark. Such advertising, so far as can be judged to-day, will have anything but a commendatory effect among the formerly hostile nations, at least for a considerable time after the conclusion of peace. The mere fact that the goods were shipped from Germany will be a drawback if it is made

known. We will, of course, cease to give conspicuousness to the German character of export products ; judging, however, by various indications in hostile newspapers, we must reckon upon the use of apparently harmless, but actually malicious tricks, to discriminate against German goods. For instance : foreign customs officers may stamp upon them the country of their origin, etc. The purpose is easy to discover. Even if the first man to receive the goods—for instance, the wholesaler—wishes, for evident reasons, to conceal the place of origin from his chauvinistic customers, to do so is to be made difficult or impossible for him by the marks impressed by the native customs officials. To meet this it will be difficult to do anything so long as the goods are shipped directly from Germany, by a short and uninterrupted route, to save on freight charges. In the course of time small unpleasantnesses of this kind may also disappear on account of their triviality. Should the damage done by them become unbearable in the long run, then *denationalization of goods*, though it will eventually raise the gross expenses, should not be avoided ; for the alternative expedient—of having the foreign customer take over these products—at

the place of manufacture, and transport them at his cost and risk—would scarcely obviate the trouble in the final result. What method of denationalization will be feasible we shall discuss farther on.

The objection might be made here that in a certain sense we are giving opportunity for a game of "Hide and Seek," which would be incompatible with German character. In reality this is not the case, because, for one thing, as has already been said, German products bear within them their stamp of origin which is as clear as day to the experienced user; then again, because it is not the German exporter, but rather the foreign customer who must look out that the place of origin is kept secret, to avoid loss at the hands of his own countrymen. Undue emphasis must not be placed at first upon the fact that even back in times of peace a great many foreign products were made in Germany, and that sentimental considerations can find no place in mercantile life.

The question of *trade-marks* will be somewhat more difficult to handle because it involves property rights which for evident reasons it is not permissible to conceal. It will be hard to enforce these rights in formerly hostile

countries. Yet even in this case a way can be found to accomplish whatever is essential, without much loss. Of this, more later.

SOOTHING PROPAGANDA

Now in all these cases there arises at once the question : “ What becomes of that absolute essential of the present day—the *propaganda on behalf of German goods* ? ” The answer is : The propaganda is to be carried out in increased measure even if in a form different from before, in a form which will not irritate the feelings of past enemies—a form which takes these feelings into account in determining future activity. We must not forget that, at the worst, we are only dealing with a period of transition. After it has passed, “ dollars-and-cents ” reasoning will again be superior to the dictates of emotion. He who allows himself to be guided exclusively by his feelings must pay for it dearly, and, in comparison with a more hard-headed business man, finds himself left out in the cold. Sad as it is, “ dollar-and-cents ” policies get the last word after all (as is to be seen in many cases even in war—often against the interests of one’s own country—and much more often in peace).

More will be said later about ways of recasting the propaganda hitherto carried on in foreign countries.

In looking back over Germany's export trade during the last decade, one can discern a decided tendency toward founding branch companies instead of having some other firm or agent represent the home concern. Whether this was, and whether it still continues to be, the best safeguard for our export trade, are questions which have been much disputed. The prevailing factor behind this tendency was, primarily, the effort to divert the intermediate profits of the earlier representatives directly into the hands of the parent firm, and secondarily, the centralization attained by uniting former competitors into one great firm. This consolidation made it unnecessary to have a large number of individual representatives. An influential rôle was played by the endeavour to unify and standardize manufacturing processes, and thereby eliminate the practice of catering to the buyer's individual fancies—a practice which had flourished under the old system of many agents working independently of each other. In those days they went farther—they sailed officially under the flag of foreign countries, and founded “daugh-

ter-companies" under the laws and citizenship of those countries.

It is well known that since the beginning of the war legal restraints have been placed upon these companies, a proof that their loyalty was always looked upon as specious. Even after the removal of the restraints the odium of "hostile" will cling to these branch companies—provided of course that they weather the storm of troubles at all—and this odium will be a burden to their activity, even if it does not make it impossible. Business, when actually conducted in foreign countries, will, therefore, be forced to assume other forms—perhaps such as have been used and discarded in the past. Consciously to court chauvinistic opposition over and above the industrial and economic difficulties of competition would be unthinkable.

Nor must we overlook the fact that industrial and economic competition after the war will become distinctly more gruelling. The eyes of foreign countries will without doubt have opened to the perfection and efficiency of the articles and appliances made in Germany. Foreign countries have been shaken into new life—something which is doubtless to be welcomed in the interest of

mechanical improvement and invention. They will make every effort, as is evident from the above-mentioned article in the English trade-journal, not only to emancipate themselves from German industry, but also to overtake it. Whether they will succeed, may be left for the future to decide; certain it is that such a thing would be possible, if the tireless energy of the Germans, who understand how to combine science and practical application, should take root in foreign countries. However, it takes time for other peoples to undergo such a transformation, which is equivalent to a complete alteration of the national character. This time must be used by German industry, in the interest of its export trade, to make such swift and vigorous progress, that in a purely industrial way no overtaking by a competitor will be possible. In order to overcome the habit of unnecessarily complicating manufacturing processes and thus of increasing costs, we must pay more attention in certain respects to American methods. They waste no energy on the individual hobbies of the consumer, but teach him to choose from among a few types the one best suited for him. Hand in hand with increasing scientific progress and invention

must go broad and intelligent standardization.

Economic competition, particularly in the question of price-superiority, will then shape itself so that German goods will have clear sailing, and the export trade can resume its former triumphal progress, fully armoured and unafraid. Quality and price combined are two factors which in a short time will overcome all opposition—even that of a chauvinistic nature.

MEETING THE AMERICAN MENACE

We must not conceal the fact that the ability of Germany to undersell the products of other countries will not be so easy to maintain in the future, as far as the American competitor is concerned. For the enormous profits which the American factories reap through their unscrupulous production of war materials enable them to wipe out liabilities in a way hitherto considered impossible. These profits constitute reserves which they can fall back upon with full assurance, when striving to outbid others. To meet this situation, organized action will be just as necessary as was protective action, in the case of raw

materials supplied from other countries. New rules will have to be formulated here and brought into effect—rules which will treat the question not only from the commercio-political standpoint, but from the standpoint of industry and industrial tariffs also. This latter aspect of the question will therefore demand thorough study. We must likewise see whether tariff bills cannot be framed so as to facilitate the rapid growth of the export trade. It is not improbable that we may even have to dip into the question of export premiums in this connection.

Especial consideration must be devoted to *capital* in its relation to the export trade. It can give support both from the outside and from within. In the last analysis, our domestic capital ought only to go abroad when we are sure to keep on indefinitely shipping goods to the country where the capital is invested, in quantities corresponding to the amount of that capital. The everyday practice among capitalists is to impose only the condition that the level of the so-called “first shipments” be maintained. This commonly represents only the capacity of the plant at the start.

Such demands are shortsighted. The capita-

lists at home ought to ensure close contact between the domestic producers with whom they have relations, and the promoters, especially those in the foreign countries. The export trade must be backed effectively not only by the State and the unselfish exertions of German industry, but also by capital. And this capital, it should be noted, ought if possible to come entirely from German sources ; or at the very least, German capital should hold a controlling interest. In so far as it participates in those enterprises which advance the interests of our export trade, German capital should maintain its individuality. It must prepare the ground and then add strength and support ; it must form the foundation for a new era in the growth of industrial exports. To enlist capital in this work is a task of prime importance.

The foregoing discussion shows, in brief, that : *The growth and security of the export trade after the conclusion of peace will be dependent on and influenced by the following factors :*

1. Adaptability of the export industry.
2. Attitude of foreign countries.
3. Emigration of domestic industry.

4. Economic compensations.
5. State protection.
6. Industrial protective unions.
7. Commercial treaties.
8. Ways of denationalizing German goods.
9. Competitive ability.
10. Capital.

These factors as a whole will bring about a satisfactory result only if they are brought into relationship by skilful organization in such a way that they form a smoothly running mechanism.

Its motive force must be the fixed determination to raise the export trade to the highest pitch of success in spite of all obstacles, and there to maintain it indefinitely.

THE CAMOUFLAGE OF COMMERCE

The Germans, as the following chapter shows, expect impenetrable disguise to be a leading feature in renewing their oversea business. Their salesmen will be trained to imitate correctly the aspect, intonation, idiom, and "provincialities" of their customers, and cleverly to copy their business methods and their style of making packages and shipments.

Allied countries that refrain from interference (although "hypercritical"), Germany intends to reward—with her matchless goods. Those that refuse to be duped are to meet "relentless retribution." A General Staff having determined by means of infallible "defence statistics" that America or some other culprit is neglecting to take its allotted German exports, will order the "indispensable industries," subsidized by "economic compensations," to boycott the victim, and it will seal the command with a "corrective embargo."

CHAPTER THREE

THE CAMOUFLAGE OF COMMERCE

The Impenetrable Disguise of the Düsseldorf Drummer—Faking the Appearance of Friendly Business—The High Art of Imitation—Relentless Retribution upon Allied Interference—"Defence Statistics," the Barometer of the Battle—Strategic Use of the Boycott and the "Corrective" Embargo.

B. FACTORS INFLUENCING OR CONTROLLING EXPORTS

1. ADAPTABILITY OF THE EXPORT INDUSTRY

THE Germans have always made it their business to learn the languages of other nations. In this respect, however, they are surpassed by the Swiss, who go so far as to master not only the language itself, but also its peculiarities to a point eliminating every foreign element in their intonation and manner smacking of their mother tongue. A German speaks foreign languages correctly, yet in such a way that his German extraction at once betrays itself.

In the immediate future the presence of

anything "German" among formerly hostile nations will evoke emotions which are not advantageous for the advancement of commercial relationships. Of this there can be no doubt. Germans will certainly be more careful than ever not to give offence. But in this they will be successful only if they take as a pattern the Swiss method in linguistics. Men in manufacture and industry must take care in future to use foreign languages in the native way. Attention should also be paid to this subject in the schools. Hand in hand with increased proficiency in this direction must go a comprehension of foreign ways and of foreign nature, in order to obviate as far as possible all reminders of the past. We need not fear that Germanism will suffer because of this; in spite of their perfection in language technique the Swiss never cease to be good Swiss.

A fundamental requisite for personal intercourse with customers, in the interest of the export trade, is the use of foreign languages in the manner and idiom of the people who speak them.

FAKING THE APPEARANCES OF FRIENDLY
BUSINESS

Correspondence in future is to be carried on in the foreign tongue, even if the correspondent commands the German language, in order to ensure him from the very beginning against unpleasantnesses which might arise with third parties from chauvinistic reasons.

More than ever there will be necessary a widespread adaptation to foreign methods of book-keeping and calculation in order to increase exports. Standardization in industry must not be carried out exclusively from a German point of view; an intermediate way, adapted to accounting purposes, must be found, conforming to domestic and foreign standards. This will be of a special importance where for the same object other units of measure are in use in a foreign country, and where methods of assembling, packing, and make-up do not harmonize with German custom. In our ability to conform lies the secret of success; conformity in the realm of manufacture without loss of profits is indeed difficult but not impossible.

Adaptation to foreign customs in business and industry is a help to the export trade.

THE HIGH ART OF IMITATION

German character and habits must not be altered in their essence by this procedure; still, a foreign exterior is necessary for purposes of protection, just as the style and cut of clothing are adjusted to the taste of the wearer. Stiff-necked observance of old principles would have a harmful effect.

A complete knowledge of the special requirements in foreign industries, mutual elimination of which was well on its way before the outbreak of the war, is more than ever necessary, for it is to be feared that an unpleasant interruption will take place for a considerable time in these efforts toward internationalization. If we succeed in avoiding disagreements and disputes after goods have been shipped to the consumer, it will be due to the careful observance of foreign requirements, which is impossible without a thorough knowledge of them. For the present we dare not count upon the healing influence of time. The common aim of all export activity must be to make the foreign customer so satisfied in every respect that, in spite of hatred of Germany, German manufactures give the best satisfaction.

If everything distasteful or unpleasant to the foreign customer is eliminated, then, with time, trade will grow better and more pleasant for the German producer also. Every effort must be directed toward allaying the passive resistance which must be looked for from our customers. Victory with the means of peace must follow victory with bloody weapons, otherwise the latter would be purposeless. German efficiency must link itself with a conformability not hitherto exercised everywhere, a conformability which meets the new circumstances brought about by War and Peace. The ultimate purpose is always the first consideration, it decides the form.

2. ATTITUDE OF FOREIGN COUNTRIES

Every hostile move can be arrested by an equivalent counter-move, and may possibly be prevented in future. This principle always holds good in war, not always in commerce. It may be very useful in war, in commerce it often is the opposite. For these reasons measures of a hostile nature, or which can be considered as such, are to be avoided so far as possible. Since, however, long-suffering is commonly construed as weakness, it has only

conditional and temporary justification in the struggle. If, for the sake of our export trade after the war, we resolve for our part to avoid everything which could possibly offend the feelings of our former enemies, we must nevertheless not overlook the fact that in the immediate future it will be absolutely necessary to stand with weapons at our side in order to give a good account of ourselves when the necessity arises.

RELENTLESS RETRIBUTION UPON ALLIED INTERFERENCE

Whatever be the self-discipline practised, formerly hostile States with which we are entering into commercial relationship—either by treaties (in which case they are problematical) or by actual trade—must be given clearly to understand that every open or concealed injury to our export trade will be revenged. Either unclouded commercial peace or none at all. Manufacturers and men of industry will have to apply all their strength to make good what the fury of war has destroyed. They will, therefore, have no time to interrupt the intensive work before them by petty warfare and by combating annoy-

ances and chicanery. We are justified in assuming that even in formerly hostile countries, industrial circles will again yearn for peace and for the well-ordered relationships which make success possible, yet it is more than questionable whether they will be strong enough to hold their ground against professional politicians and graftseekers.

In future intercourse of a commercio-political nature, as in its rehabilitation and regulation in general, we must observe the fundamental principle that commercial treaties are not weapons for strengthening one's own export trade at the cost of foreign import trade, but that in these treaties are to be found ways of opening broad, safe paths for mutual commerce. This point of view must of course be shared by both parties.

The attitude of a foreign country toward our export trade may be either of an official, semi-official, or private nature, depending upon how frank it is in reference to the reasons for its attitude. Or the Government may make common cause with private individuals, and may systematically avoid revealing its reasons, so as to give Germany as little basis as possible on which to frame retaliatory measures. The nature of the attitude of foreign countries

will determine the course which industry, and the governmental authorities of Germany who protect it, will have to adopt.

The most favourable case, one which for the time immediately succeeding the conclusion of peace is scarcely to be expected, would be one in which foreign countries endeavour, in the interest of their own industry, to give a free hand to German export trade. This is more than the greatest optimist dares to hope. Anything better than it is certainly out of the question. Germany, for its part, will of course do everything in its power to reward such an attitude on the part of foreign countries, though the latter are naturally inspired only by the most practical considerations. In the discussion of commercial treaties there will be more to be said on this point.

However, since pessimism is a safer policy than optimism, in mercantile connections, it is well to consider those cases in which resistance will have to be reckoned with.

A very simple though hardly probable case might be this : that the formerly hostile countries officially stopped all German exporting business within their borders by preventing the importation of German goods. This case

need not be taken into account, for the reason that the future treaty of peace will surely be founded upon economic grounds also, because it could not be agreed to unless official guarantees of a free hand for our export trade were given. A jealous and invidious economic policy on the part of foreign countries was the cause of the war; it can only be ended by correcting that policy. The watchword will have to be: "Hands off German export trade and an open door to it in every direction." A complete end must be made of false economy with its ominous special favouritism clauses when these are directed against the German export trade.

Safeguards for Germany's export trade must form an indispensable part of the treaty of peace. The latter must eliminate all special favouritism clauses that could possibly be injurious.

A foreign state can very easily set up obstacles to our trade in a semi-official way, especially in awarding government contracts. By its action in such cases it of course furnishes private business with a cue not easily misunderstood. We can imagine such a ruling as that no foreign goods at all may be used in filling government contracts. Technically, regulations of this sort would present many

difficulties and would be scarcely enforceable. Merely recall among other instances those industries which have to pay tribute to the German chemical industry and those which could scarcely have succeeded without Germany's delicate instruments. Such regulations would be so stringent for the industries of the countries in question that we are safe in assuming that the State would wink at their circumvention.

This, however, does not settle the question ; German industry could not rest content with such a tacit evasion of foreign laws. Openness was always a goal of the Germans, one which has made them great. It must also have effect here. In the interest of its own industry every state will prescribe that in state contracts preference must be given to domestic articles in so far as such are at hand, even if foreign products could be had more cheaply (equal quality assumed). German industrial circles could not, however, countenance further restrictions such as that in manufacturing these articles no raw material might be used whose origin is to be traced back to countries with which the foreign state had been at war.

As a measure of retaliation we might forbid

the exportation of materials which that state found absolutely indispensable, thus cutting off both its direct or indirect supply. In this connection it is, of course, always presumed that a transplanting of such industries to foreign states will be hindered by all means at our command (a matter which will be gone into farther on). It must be admitted that such regulations could cause considerable loss to individual parties here at home, yet here also the common good must be given precedence over individual interest. Special state indemnities can go far toward making good such losses, all the more since retaliatory measures of this kind could scarcely be of long duration because they would become unbearable for the hostile state.

Rules of foreign states, forbidding the use of material of German origin in state contracts, and aiming against the German export trade, must be assured a swift and sudden doom. Effective precautionary measures for this purpose cannot show favour to individual interests.

“DEFENCE STATISTICS,” THE BAROMETER OF
THE BATTLE

It will be necessary to create a special branch of statistics, which will indicate the com-

parative amounts of German products (both natural and manufactured) exported in normal times. By those statistics we can tell whether, and in what degree, the proportionate amounts are being altered by the open or concealed attacks of foreign countries, to the detriment of one product or another. These statistics must show at once, at all times, whether certain products are being discriminated against by foreign countries in favour of other foreign products (coming from an ally) while, at the same time, no obstacles are placed in the way of trade in other German products. By the kind and amounts of the various products listed, it will be easy to decide from these statistics which German products foreign countries cannot do without, and for which others they substitute (openly or secretly) the products of other countries. From such knowledge the possibility readily arises of putting a stop to our exportation of products or materials which are indispensable to the foreign country in question and which must, in the main, be drawn from Germany, until our other industries, hitherto in certain measure boycotted, are returned to their rights. The export statistics for the German Empire, always compiled so exemplarily in the past,

must be somewhat extended according to the proportional system in order to have ready at all times effective means of defence for the protection of *all* branches of our export trade.

The uniting of "defence statistics," compiled according to the proportional system, with the export statistics, is a necessary measure for safeguarding the export trade.

Without going into so broad a question, it may merely be pointed out that imports also can offer effective expedients against hostile actions.

By defensive measures, such as embargoes, certain of our industries which foreign countries have been compelled by necessity to favour rather than hinder, may find their foreign trade for a time cut down; in other words, they suffer actual and material loss in order to make possible the free export development of other industries. It will, therefore, be only just if the latter, which have been protected at another's expense, pay an indemnity to the industry injured by the embargo, as soon as the normal development of their export trade to the foreign country in question is again restored. (The "defence statistics" are the means of determining this.) This amount of the compensation will be determined from

the comparative figures given by the "defence statistics." There must accordingly be created a ready co-operation between individual industries in such a fashion that, in the case of a depletion of one industry's export trade which can be traced back to hostile measures, the outflow of other manufactured products desired by the same foreign country will be throttled to the disadvantage of that country until a state of equilibrium—recognized by means of the "defence statistics"—is arrived at; the assets (of a material nature) lost in this way by the throttled industry must be replaced by the industry which has been benefited.

The various German industries must be brought into compulsory co-operation for the purpose of keeping all kinds of industrial exports on a basis of equality.

Economic and industrial unions are already sufficiently numerous in Germany. Where it has not already been done, they must be centralized in order to aid the State in whatever defensive strategy may prove necessary. This aid can probably be rendered most effectively by the independent compilation of similar "defence statistics," for which the basic data might be supplied by the chambers

of industry and commerce. Both kinds of statistics—one of which, naturally, will present a more bureaucratic stamp, the other a more mercantile—will advantageously and automatically complete each other, and will be suited to prevent uncalled-for action which could injure the general system of control. Such action will almost always be traceable to special interests which can be shown their place only by the authority of the entire body. To the directing committee of such a union will be reserved the right of investigating the justification of complaints, of formulating and proposing to the Government such measures as are in the interest of industry in general, and of deciding the future indemnity quotas which are to be valid for the industries specially involved—both those asking protection and those affording it. From this union there will come a cementing of the individual industries, which will bind them closer to one another for the good of the whole export trade, and which will hold all the more firmly because it promotes the material interest of every single form of industry. At the same time this union can form the foundation and the centre of the protective federations to be discussed later.

State and industry must mutually supplement each other in providing ways to extend and apply the "defence statistics."

STRATEGIC USE OF THE BOYCOTT AND THE
"CORRECTIVE" EMBARGO

To the union in question still another special problem will now fall, one which cannot and ought not to be left to the State for solution, because it might give occasion for diplomatic complications in a sphere in which industry can help itself most safely and best (it being assumed that industry proceeds with sincerity and determination, and permanently places the general good above special interests). This problem can and will probably present itself in some such case as the following: A foreign government avoids officially and semi-officially every stand against Germany's manufacturing export trade (an assumption in no case justified at present); but the industry of that country takes a hostile attitude, and only orders from Germany what it absolutely has to, taking everything else from foreign competitors. Let us now narrow the matter down to an individual case, such as

will always be easy to find, and, simple though it is, it will give a clue toward handling any complication.

A foreign manufacturer needs in his business two principal kinds of raw materials. One he can obtain only from Germany and the other he can get from other countries, the hypothesis presupposing equal quality and price. In purchasing the former he carefully overlooks the German origin; in the latter he becomes patriotic and rejects every German product. It will be the task of the rejected industries to collect all grounds which can prove such a procedure beyond question. If upon examining these grounds the officers of the union find that there can be no doubt about the manufacturer being guilty of boycotting, he will be prevented by the union from getting the German materials indispensable to him, even if he tries indirect ways such as through similar industries of his own country. Such control is readily possible, because a sudden increase in the demand for these indispensable products on the part of a compatriot manufacturer who is acting as a go-between gives proof that he is helping his friend. He would then fall a victim to the same fate, as would the whole foreign industrial association in

question, the destruction of which in this way would not be difficult.

The same procedure is to be recommended when a foreign industry which is not dependent upon German manufactures persists in boycotting German goods. In this case a closely allied industry which supplies it—or is supplied by it, as the case may be—will have to feel the effects of an embargo unless the closely allied industry makes redress in some internal way and brings the hostile industry to its senses. The battle will again be fought out according to the approved German fashion on foreign soil, only with the difference, nevertheless worthy of notice, that both contesting parties must be furnished by foreign countries. Such measures can be more easily carried out by industrial unions than by the State, because individual conditions are often met with, which can be remedied more readily by private parties. The State's embargo mentioned above always remains ready as a powerful reserve for the attack, whenever petty warfare degenerates into a general conflict.

Foreign manufacturers who persistently reject German goods of one sort can under no circumstances be permitted to get German

goods of another sort which are indispensable to them.

The necessary control can perhaps be made easier if this principle is observed, namely: that all foreign payment for German goods received must be made only in German exchanges. This will probably become an essential stipulation in the immediate future, since the action of the hostile governments toward German credits will not be forgotten at once. Manufacturers and banks can here render each other mutual and effective support.

“INDISPENSABLE INDUSTRIES”

The German sets forth in Chapter IV by what process he proposes to blackmail the world with his "Indispensable Industries." For this purpose he intends to maintain exclusive control of them by a rigid and despotic "state sovereignty" expressly adopted to limit "the freedom of the individual, science, and property."

These strategic industries will embrace such natural monopolies as potash, such results of the German system as dye-stuffs and carbolic acid, chemicals, steels of special value and gelatine, which they believe inimitable. Beyond these, such products as they have or can render irreplaceable, technically superior and infinitely cheaper, of a nature to cause great economic suffering by their lack, and which can be made exclusively of materials obtainable always in Germany, will be selected to constitute the "Prussian Guard" of their industrial invasion, and to be put under the invigorating husbandry of the Military Régime.

CHAPTER FOUR

“INDISPENSABLE INDUSTRIES”

Imperial Military Control to ensure Exclusive Possession of Strategic Industries—The German Plan to eliminate the Freedom of Science and Property—Potash a Prussian Monopoly—The Inimitable Dye-stuffs and Chemicals—Principles of the Embargo Battle—Some Definitions of “Indispensable”—The High Road to Technical Superiority—An Infallible Price-cutting Device.

3. EMIGRATION OF DOMESTIC INDUSTRIES

ALTHOUGH this protection of Germany's export trade as a whole can probably be attained by the methods suggested, and with honest effort, yet it will be permanent and effectual only if the weapons of protection remain exclusively in the possession of German manufacture. This stipulation is much more difficult to fulfil than appears at first glance, since in so doing the legal freedom of the private individual, of science, and of property, although eventually guaranteed and safeguarded, is liable to be compromised, as, likewise, is the right of capital and trade to move about at will.

In other directions nothing stands in the way of the fulfilment of this condition provided that the war-forged watchword “ Our country first of all ! ” retains, in peace times also, the same importance and general recognition which it now commands. When put into practical application, this means : The State must possess the right—even against the personal and material interest of individuals, companies, and organized businesses—to prevent emigration of those industries whose exclusive continuation at home is necessary in order to remove obstacles which could oppose the export trade of other German industries. This right must be established by law. This law must define the position of the State toward these industries and its rights and duties toward them just as precisely as the rights and duties which these industries have toward the State. This indispensable law must be given a retroactive power and authority which naturally will extend also to industries not yet in existence and its fundamental outlines be worked out now, since they might perhaps have a guiding influence on the economic terms of the coming treaty of peace.

The emigration of industries whose continua-

tion at home exclusively is essential to the security of the export trade of other industries must be prevented. A law governing this question is a necessity.

For preventing the transplanting of such industries to foreign countries, the following topics are suggestive :

1. A statement pointing out the distinguishing peculiarities of those industries which are to be subjected to the State's rights of special sovereignty.

2. Definition of these rights.

3. Control of the operation of such industries.

4. Their rights of exemption of a technical nature.

5. State guarantees for their manufacturing necessities (machines and materials), to be eventually at the expense of other native industries in return for equivalent services.

6. A law requiring the reporting and registration of new improvements and inventions.

7. The drawing up of industrial lists in which the proprietors of such industries, and the mechanics, foremen, and labourers employed in them, are named.

8. Measures to be taken in case of the transi-

tion of these industries into other hands or in case of a change in their business form.

9. A voice in regulating the exports of these industries.

10. Safeguarding the business- and manufacturing-secrets, from an industrial and economic point of view.

11. Regulation of wages and conditions of labour.

12. Regulation of the participation of such industries in foreign industries of the same or related kinds (industries turning out manufactured or improved articles, and branch offices of German companies).

13. Participation of foreign capital in such industries and the composition of their controlling bodies.

In stating the characteristics of industries which must be safeguarded against injurious transplantation, the following are the principal considerations :

Nature of the manufactured article : Degree to which other things can be substituted for it ; Degree of its perfection ; Possibility of imitation ; Degree of its usefulness and indispensability ; Amount manufactured ; Demand for it ; Height of selling price ; Dependence upon—or, as the case may be, independence

—of foreign raw materials ; Nature and amount of foreign competition.

In classifying an article we should notice whether it is a raw or a finished product ; whether it is used in agriculture or industry, or in the metal, textile, chemical, or, particularly, the war industry ; whether it is rapidly worn out or more durable, and whether it is manufactured in bulk or by the piece.

The raw product may be of animal, vegetable, or mineral nature. The first sort need scarcely be taken into consideration. The second sort may, perhaps, be considered conditionally in cases in which are involved vegetable materials which form the foundation of special industries and which are handled in colonial business.

POTASH A PRUSSIAN MONOPOLY

Among mineral raw materials, the most important will be certain salts necessary in agriculture. After them come certain kinds of iron, bronze, and coal, in connection with specific countries. The importance of controlling the latter may perhaps be influenced by future territorial settlements. Those raw products which are obtained by the use of

chemicals, however, will be of very special importance. Thanks to the marvellous development of German science, they assure a monopoly to German industry—a monopoly the use of which is of great importance. The experiences of the war, thus far, have given in this very connection an incontrovertible proof of the absolute dependence of the foreign countries upon Germany. To make this dependency permanent and certain will be one of the most important problems connected with the prevention of transplantings.

In protecting our export trade, raw products of German origin, which are indispensable for the foreign countries in question, are to be made use of. These raw products must be placed under State control through its rights of special sovereignty.

THE INIMITABLE DYE-STUFFS AND CHEMICALS

The classification of finished products will be somewhat more difficult, since, with few exceptions, the dependency of foreign countries upon them is not always easy to prove. In these exceptions are included, briefly, certain dye-stuffs and chemicals of an industrial and

pharmaceutical nature; certain steels of especial value; also some kinds of gelatin. The dependency of foreign countries can, of course, be only a conditional one, resting upon their inability to turn out goods of equally high value. This is especially true in reference to machines and machine parts, which enjoy the protection of special patents. The objection that foreign countries, in such cases, simply would either not regard the patent right or else entirely extinguish it, is scarcely justified, since without doubt recourse would be had to reprisals in the matter of patent rights, and these reprisals would, of course, be made where the foreign industry would suffer in an especially vulnerable spot. Observe that an embargo on raw products can be of effect on either an agricultural or an industrial connection; an embargo on finished products will generally be of effect only in an industrial connection.

Finished products of German origin are considered for purposes of protecting the export trade—primarily, if they are absolutely indispensable for the foreign country in question; secondarily, if they are partially indispensable.

PRINCIPLES OF THE EMBARGO BATTLES

What kind of article is to be chosen in arranging protection for certain exports depends upon the industry which is the predominant and prevailing factor in the economic life of the country in question. Manufactures that wear out rapidly will be less adapted for protective uses than those of a permanent nature. An embargo on perishable articles is more or less equivalent to a sudden crippling of the industry, and like every unforeseen business cessation is attended with heavy economic sacrifice; and there is also danger that the embargoed goods, to an amount corresponding to previous export, will spoil in default of sale. An embargo on durable articles will only very rarely be followed by serious economic loss. The plant can continue operation at full capacity and its output stored as a surplus, and the longer the embargo lasts, the greater will be the demand when it is lifted.

Perishable articles are inferior to durable articles in respect to their protective value; manufactures in bulk are superior to piece manufactures.

A presupposition in the case of all raw

materials and articles which are used in protecting exports is their irreplaceability in a material and qualitative connection. Chemical and mechanical composition is an important factor here, as well as physical, chemical, and mechanical peculiarities, such as their action when combined with other substances. Up to a certain limit of effectiveness all raw materials and manufactured articles can be replaced by others; the relative height of this limit, from an economic standpoint, determines the possibility of substitution. When this limit is ascertained, we have a clue to the value of the raw material or manufactured article as a means of protection for exports. But this limit of effectiveness, measured independently, is not the determining factor. The principal element is the item of price. There are substitutes for the regular materials which are only half as efficient, but which are four times as cheap. Such substitute-materials give the foreign country sufficient superiority to rob the normal material of its protective properties. Raw materials and manufactured articles, accordingly, are to be considered as irreplaceable whose physical, chemical, and mechanical properties—independent of other considerations—cannot be rivalled by sub-

stitutes at all ; secondly, those which cannot be rivalled in the matter of price ; and finally, those which, when measured from the standpoint of economics, show a superiority not to be overtaken.

Protective means for the export trade can only be raw materials whose degree of effectiveness—absolute and relative—cannot be rivalled by substitutes.

SOME DEFINITIONS OF “INDISPENSABLE”

The degree of excellence can come into question only in the case of improved raw products—which, in the broader sense of the word, represent manufactured articles—and in actual articles of manufacture. At that it is only a relative matter, and depends upon the degree of excellence attained by the products of the competing foreign country. The more our products surpass the latter, the greater will be their protective value. In estimating the degree of excellence of an article, we consider first, of course, its good qualities. Then we consider the readiness with which it can be put into service, and finally its total efficiency. The less the deterioration (in actual manufactures), the greater

the productivity (in improved raw products), the longer the duration, the more versatile the application, the higher will be the degree of excellence which represents the sum total of these properties. This degree of excellence determines at the same time the degree of usefulness.

Protective materials for the export trade must show a superior degree of excellence and usefulness.

Special make, irreplaceability, perfection, and usefulness of (raw materials or) manufactured articles are of no avail, if there is a reasonable probability that, with all these peculiarities, they could be imitated in a comparatively short time. On account of the constant advance of technical skill and industrial resourcefulness therewith, there is no use talking about the “impossibility” of practical or equivalent imitation. Inventions overtake each other more quickly than they can be perfected. Merely theoretical imitation of course holds no terrors for us. For from theoretical imitation to practical performance, under the conditions of competition, is a far cry, and demands hardly less time and money than were required for the development of the original article.

Here also there can accordingly take place only a relative valuation of our articles for export protection. The chief criterion will not be of a financial but of a temporal nature, and the possibility of an imitation being turned out will always be presupposed. This presupposition must be retained and must influence the selection, even if for the instant there is no such possibility evident. To deny it would be to call mechanical improvement an impossibility. Capital can always be provided, even in advance, in case of assured profit. Mechanical improvement can almost always be obtained where broad and alluring advantages are offered in return. When time is short, it must be used up wherever a minute can be found. The greater the element of time, the smaller becomes the economic success of an imitation, and the larger the protective value of the manufacture which is to be imitated. The time necessary for imitation assures the original article an economic and commercial start which puts it out of subsequent danger. Then too, this respite can be used in perfecting the original article still more, further handicapping the imitation in the economic race.

In determining the protective value of a

manufactured article in respect to the possibility of its being imitated, the deciding factor is the time required for contriving the imitation.

Raw materials and manufactured articles which are dispensable under favourable economic circumstances are not considered as protective means for industrial exports. If to do without them causes economic loss to the country in question, then these raw materials and manufactured articles are truly indispensable.

It is self-evident that, as protective means for the manufacturing export trade, only such raw materials and manufactured articles can be used the demand for which and the corresponding output of which form a very considerable proportion of the entire consumption of the foreign country to which they are shipped.

Here there should be noticed a still further limitation, namely: a large manufacturing output or foreign demand represents an influential economic factor only when the selling price of the unit of goods is as high as it should be, considering the amount of output. Expressed in other words, that means: The product given by multiplying the output

shipped abroad by the selling price must be a figure which is larger than a certain percentage of the entire value of the exports to the foreign country in question. This deciding percentage will be different for each foreign country, for it is dependent upon the other exports. In one case it will have to be very large before admitting of protective measures without injury to the rest of the export; in another case it can be comparatively small. It must always, however, be adjusted so as to leave such an amount as will allow other industries which may in time become involved, to be maintained without loss.

Protective value can be attributed only to those raw materials and articles whose output for foreign countries and whose selling price amount to a figure of considerable importance in the total export statistics for those countries.

To manufacture certain articles in Germany, we shall have to have foreign raw materials; for certain others, we shall not. Manufactures which are dependent upon a supply of foreign raw materials (German over-seas colonies taken as part of the mother country) can be considered as means of protection only in two cases, namely: when the land of supply is well

disposed toward us (a case upon which we dare not count too strongly, as experience teaches), or when it is possible to manufacture unsurpassable products from these raw materials in Germany alone.

The deciding factors here will be : working methods, secret processes, and also groups of employees whose trade is handed down from father to son, and who are certain not to be transferred to other countries. The above-mentioned limitations will closely limit this class of protective articles, and will make it smaller than that of manufactured articles independent of foreign raw materials. The importance of the latter is evident without further discussion. The chemical industry and the metal industry will here stand in the first place. Next to them will come the manufacture of delicate instruments, a field where science is continually progressing.

Manufactures independent of foreign raw materials have a higher productive value than those dependent upon them.

THE HIGH ROAD TO TECHNICAL SUPERIORITY

Finally, the amount and kind of foreign competition is a factor determining protective

value. The greatest protective value is afforded by those raw materials and manufactures which are superior to the foreign, both in quality *and* quantity. By superiority in quality we are to understand technical superiority (good qualities, durability, efficiency, productivity, etc.) as well as price superiority (cheapness, taken absolutely and also in proportion to technical superiority). For this reason, all imaginable measures are to be taken to increase technical and price superiority, not only on behalf of manufacturers, but much more still for the sake of increasing protective value.

Technical superiority finds advancement through state scientific institutions, schools, research organizations, prizes offered for perfected articles and improvements. It finds it in a larger share of profit for the inventor in comparison with the head of the business; reduction of the cost of government tests in order to bring them within the reach even of industries weak financially, research work done without charge when circumstances warrant it, state aid to private institutions for research and experimental laboratories under certain restrictions, state encouragement of private inventive activity by financial support, state

benefit and support for professional unions, and through these unions themselves. Special value is to be placed upon the continued maintenance of *vital contact between scientific investigation and practical application*; in other words, scientific improvements ought to be made accessible to industry as a whole not only through private trade-literature, but also through literature under state patronage.

AN INFALLIBLE PRICE-CUTTING DEVICE

Price superiority is increased by safeguarding general labour conditions with reference to relations between employer and employee, as well as to raw materials (pre-manufactures) and machinery. Unreasonable advances in the prices of raw materials (pre-manufactures), due to rings and special interests, must be prevented by state measures, where they might endanger the protective value of manufactures. The present times are showing that state interference of this sort is possible and can be successfully carried out. The experiences of to-day in this connection ought to bear fruit in peace times also. There must be no hesitation about applying compulsion

in cases where selfish interests of individuals or groups could injure the German export trade or parts of it. Accordingly, it is plain that certain raw materials and pre-manufactures, which are closely related to export articles having a protective value, must be subject to state supervision at least so far as price goes.

Many industries and industrial enterprisers fall behind the times in the matter of price (to a certain degree often in construction also), because their momentary financial situation makes it impossible to procure more efficient machinery. This condition will be especially annoying in the time immediately following the making of peace. It might well be a subject study, whether, with state assistance—no matter whether this benefited the enterpriser directly, or the trade association to which he belonged—ways could not be found to remedy this evil, perhaps through replacing the machinery in return for certain obligations which would be payable in cash or in output. This assistance will be particularly necessary where effective protective value cannot be gained until the industry in question maintains a certain minimum efficiency in the amount of output.

Industries, whose products are to have a protective value which will benefit the German export trade, must be and remain superior to the corresponding foreign industries in the matter of mechanical construction, price, and capacity.

THE GOLDEN GUARANTEE AND THE
DISCIPLINE OF LABOUR

In order to strangle any possible competition by the United States and her Allies in the production of those "unsurpassable goods" with which she is to throttle us eventually, the Germans are to incorporate all their export industries into a "union" under military control. And this union will levy contributions from all its members for a "guarantee fund." The Guarantee Fund will "ensure" that these strategic goods undersell all possible competitors. For while the State provides the constant supply of raw materials, below cost, the fund flows in to reimburse the miner, and finance the hiatus caused by the "pitiless embargo" and maintain the surplus stocks for future offensive manœuvres. Besides, the indispensable industries will never be hampered, as ours are, by the demands of labour. Strikes, the writer here says, are "unthinkable," in this campaign, and will be met by swift and terrible retribution.

CHAPTER FIVE

THE GOLDEN GUARANTEE AND THE DISCIPLINE OF LABOUR

The Fusion of German Business and the German Army—The Benevolence of State Supervision of Industry—Raw Material, the Tale of Available Ammunition—Surplus Stocks, the “Reserves” of the Trade War—Subsidies and Compensations—Levying Contributions on All Business—The Guarantee Fund—Cheap Materials—The Composition of the General Staff—Crushing “Unthinkable” Labour Disputes—Stopping Leaks to the Blacklist.

It will now be the duty of the state officials in charge of the welfare of the export trade to separate the individual German industries, on the basis of detailed studies and deliberations, into those with direct protective value, and those with indirect protective value, and to issue for the benefit of those industries and their service to our export trade administrative regulations, the guiding lines of which have been given in the foregoing discussion. The special industries must recognize that they work not only on their own account but

for the general good, that their own interest must give way to the protection of the whole German export trade.

Certain special rights must be given the State by law to prevent industries of special protective value from being transplanted into foreign countries, when such a transfer would impair or destroy their protective value. These rights can be defined by law only in a general way; they must furnish the guiding lines for the decisions to be issued in the form of rules and regulations. They must on the other hand be so worded that a gag or check upon industrial development or upon the indispensable opportunity for free expansion is just as completely precluded as a "bureaucratizing" in the damaging sense of the word. In no circumstances may fetters be laid upon industry; the State's rights of special sovereignty should have the end of promoting industry in greater measure than previously. Claims to such special help can be made only by industries which are suited to protect the entire export trade against outside hostility of every sort. State surveillance is not to be called upon, but state protection. The State must have the right of co-operating with industry, not of interfering with it. What we

need is not a favouring of special industries but a safeguarding of industry as a whole against the special interests of individual industries which could only be satisfied to the detriment of industry in general and therewith of the whole export trade.

BENEVOLENCE OF STATE SUPERVISION

According to earlier explanations certain categories of industries are to be subjected to state protection. This carries with it a state right of supervision which should be carefully defined, and which can be enlarged in certain important cases to give the State a voice in the industry's deliberations. At the same time, however, it assures to the industry in question certain special privileges which will be discussed farther on. With the co-operation of competent industrial and technical associations it will not be difficult to find a middle path, which gives to the State all the rights necessary for the protection and profit of industry as a whole, and which gives to industry that freedom of development without which it cannot continue, and without which an increase in efficiency is unthinkable. The war times have lent a rejuvenating impulse

to an oftentimes somewhat cumbrous bureaucracy, an impulse originating from industry; the latter itself, in co-operating with government authorities has learned to understand their way of thinking and their good purposes. A mutual evening-up of opinions has taken place between officials and practical men of affairs, whose views could not always be harmonized in the past.

This, as experience teaches, gives promise of splendid results. Such an assimilation was necessary, and was the best imaginable preparation for the coming work of peace and for the future of industrial exports. The times are now past when officials on the one side, and men of industry on the other insisted selfishly on their prerogatives and were unwilling to listen to the other side of the question. Under the stress of circumstances both have learned to understand each other and have seen that only in tolerant co-operation can they arrive at what has made Germany so great, to the terror of her opponents. Two forces, once divergent, have been welded and transformed into one unconquerable and ever-increasing power. Its goal is the enduring security of the country's future. Hence there is no ground for the plea that these plans

call for police oppression of industry. Rather do they call for a firm cementing of two mighty powers.

Industries which have protective value for the export trade are to be given state protection.

RAW MATERIAL—THE TALE OF AVAILABLE AMMUNITION

In order that the State may at all times take a stand against efforts hostile to its export trade, it should be fully aware of the means at its disposal. It must accordingly be kept well posted concerning the regular output of the industries which have protective value. The within-defined control of amounts of yield from raw materials, and of amounts of output in the case of improved materials and manufactured articles, will be most easily made possible by the rendering of periodic production- and manufacturing-reports. The State must know what amounts of a manufacture or of a material it has at its disposal if it is to take its measures quickly. It has already been indicated that some action against domestic exploitation might also become necessary. Price advancing can easily be prevented for the protection of other industries

concerned in export, if the quantities on hand are exactly known. Measures against foreign countries will be attended by success only if the State can count upon assured quantities. Assurance in all cases presupposes control.

State protection places upon industries of protective value the duty of reporting their amounts of production.

SURPLUS STOCKS, THE "RESERVES" OF THE TRADE WAR

It has been explained that the size of output can influence the protective value of the products in favourable or unfavourable fashion. The maintenance of protective value unimpaired demands a certain minimum output. Therefore, in times of strong market, but still more in times of a bad market, we must take care that a certain supply is on hand which can be thrown into the balance at a given instant. Out of this consideration arises the necessity of certain industries maintaining a surplus stock above the normal needs of trade. The amount of surplus required will be determined by the statistics. Since work upon surplus stock is attended by financial sacrifice for industry at many periods of

time, the State must make a corresponding return for this. For it does not wish to give up the weapon represented by the surplus stock, and yet the industry is to be protected from loss. The industrial enterpriser will understand how to turn out the surplus stock to the amount demanded by the State without further directions, if the State gives him the necessary guarantees of sale, and assists him financially by granting advances of money, when necessary, upon the amount of surplus stock. By these advances the resources of the State will not be taxed, for the surplus demanded as a reserve results in safeguarding the trade of other forms of industry whose export would be impossible without the protection of the State. The guarantees—through state channels—are therefore to be furnished by the industries given protection, for they form an insurance of these industries. Moreover, they are not actually paid out. For after the embargo is raised the industries affording the protection can again dispose of their stock and pay back the advances they have received. These advances then flow back—again through state channels—to the protected industries.

The State, relying for funds upon the industries

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needing protection, ought to set aside a guarantee
fund. The purpose of the latter would be to
make temporary compensation for the loss
(for instance through keeping a stock-surplus)
sustained by industries which exercise pro-
ductive influence in the interests of industries
needing protection.

SUBSIDIES AND COMPENSATIONS

It has been pointed out heretofore that protective value increases the more the products can compete in the matter of price; this is especially vital in preventing cheap substitutes at the disposal of foreign countries from coming into competition. It follows that the State must take care that a reduction in price is possible. It would not only have the duty of stepping in when firms combine to boost the prices of raw materials in their own interests alone, but it would also have to attend to the establishment or the expansion of such concerns as bring about a cheapening of products having protective value. Effective measures can here be taken either by the erection of state plants or by state contributions to private ones. In either case the outlay should be gradually refunded, without

hindering the prosperity of the new industry. With such plants it is not a matter of prime importance that their work be *directly* profit-bearing, but rather that they furnish to the industries having protective value the necessary raw material at prices which enable them to stand at all times in the forefront so far as price is concerned. These auxiliary industrial plants must of course also yield profits. Supposing that they deliver materials at cost, they will then earn a profit by a percentage share in the net earnings of their customers. This share under certain circumstances may amount to so large a sum that it will be just as possible (even if a slow process) for these state auxiliary plants to pay for themselves as it is for the state subsidies to private institutions to be paid back.

LEVYING CONTRIBUTIONS ON ALL BUSINESS

Still another way leading to the same goal is possible. Mention has been made above of a guarantee fund which had reference to an individual industry. There will be as many such guarantee funds as there are at hand industries of protective value, or, as the case may be, of industries to be protected. Since

industry as a whole, and the individual kinds of industry represent a smoothly running machine every part of which contributes to uninterrupted operation, or, in other words, co-operates in safeguarding the entire export trade, a centralization of all the individual guarantee funds—the formation of a general guarantee fund—will be expedient. The latter in accordance with some system would have the duty of making up the individual guarantee fund which would exist only as a matter of form.

If industries with protective value need the cost of their raw materials reduced, in order to enable them to sell at better prices, the general guarantee fund could take care of that. Even in that worst case of all, where the auxiliary industries had to supply materials for this purpose at a loss to themselves, they would still be supported by the general guarantee fund, thus being assured a proper percentage of profit. In cases where the auxiliary industries enjoy a normal profit it could look after the amortization, or along with defraying the expense of amortization could still contribute a supplement to a small manufacturing profit.

There arise here a large number of combina-

tions the explanation and discussion of which would lure us too far. Since those industries which reap the greatest advantage through its existence would have to contribute in largest measure to the guarantee fund, no industry will be injured at the cost of others. There will be introduced a constant cycle, which will complete itself with harm to none but with profit for all. For this reason it is not to be expected that opposition will arise against such a means of safeguarding the export trade, unless it be through selfish interests, which, for the common good, would at once be shown the error of their ways by the power of the State, if need be.

The State, moreover, will take care that all advances of science and practice be made accessible to such auxiliary industries without cost. The guarantee fund would again have to take care of these costs. It is apparent, therefore, that the State is not called upon to sacrifice its resources. Its task is only to exercise its right of special sovereignty so as to regulate quotas of contribution in a way satisfactory to all industries, and to systematize the collection of the quotas so that the fund proceeds automatically, without constraint or friction.

The price-superiority of industries having protective value will be brought about through the establishment of auxiliary industries whose continued operation and profitableness is assured through the State by means of a general guarantee fund. All industries will be called upon to support this fund, because its benefits to export activity reach every form of industry.

CRUSHING "UNTHINKABLE" LABOUR DISPUTES

All financial support is useless if production is interrupted by causes lying in labour conditions. Here there now arises a delicate question the solution of which could scarcely give satisfaction to one party. It must nevertheless be given consideration, for it is essential. Strikes and lock-outs impairing the work of industries which have one of the above-mentioned protective values or all of them in general, or impairing the work of their auxiliary industries, must under all circumstances be avoided. Such cases are unthinkable in times of war with industries which are concerned in military supply, because the State possesses sufficient means to prevent them—means which are used impartially against employer and employee and which experience teaches are

successful. Everything has been settled peacefully. A command was sufficient. There is no reason, therefore, why the State in any given case even in times of peace could not straighten out affairs without the tedious negotiations of contesting parties which always leave bitter feelings in the hearts of both. The export trade, because it is a measuring of strength, domestic and foreign, is a battle even if within the realm of peace. To wage it successfully, the combatant must remain free from irritation and dissension within. It is to the interest of foreign countries hostile to our export trade to encourage labour conflicts and in concrete cases they will not spare the "silver bullets." Long investigations about causes would injure industrial development and therewith the export trade. As in times of war, so here, the procedure must be cut short—by the mandate of the State.

State action will prevent further trouble beforehand by placing the relationship between employer and employee on a clear basis which will satisfy the claims of both, as far as possible. For the industries in question, certain wage standards are to be established which serve as guarantees that friction will be avoided. The war has confirmed the truth of the Kaiser's

word concerning the elimination of party antagonisms. All parties have indeed perceived the advantages which arise when party interests give place to the interest of the country. The prosperity of the export trade is in the common interest of all, the employer as well as the employee, antagonisms which could damage it must therefore be eliminated and remain so. They will in general be only of a financial nature. A just proportioning of the profits which come to the employer and to the employee through the security of the export trade can unquestionably be reached if good will and recognition of the ultimate purpose are shared by *both* sides. Where this is not the case there arise selfish interests, which should be suppressed by force on behalf of the general welfare. In given cases the general guarantee fund can again be appealed to in smoothing out financial inequalities.

In all industries having protective value as well as in their auxiliary industries, labour disturbances which arise through antagonisms between employer and employee must be suppressed by every means.

STOPPING LEAKS TO THE BLACKLIST

In another place we have pointed out that in case our products have to be placed under a partial or complete embargo, its effectiveness must not be destroyed by the consumers receiving a supply indirectly. This can be prevented only if the buyers are known. Therefore there is a special necessity of keeping a general register of the purchasers of important raw materials and pre-manufactures. Of course this must be done in such a way as not to endanger business secrets. This very difficulty makes the problem a hard one to solve. We must nevertheless attempt it.

A useful expedient, perhaps worth considering, is a Central Sales-Bureau for goods having protective value to the export trade. The danger that domestic buyers will circumvent the Sales-Bureau and supply the outside world in spite of it will be entirely eliminated by a regulation to the effect that, only on authorization by the Central Sales-Bureau, may officials of roads crossing our boundaries permit goods to be shipped out. The advantage of a Central Sales-Bureau for foreign countries scarcely needs further discussion. The danger of uneconomic price regulation is out of the

question since the State will watch over that in the interest of export protection. Sufficient assurance that the Central Sales-Bureau will not exercise influence upon purely domestic trade is contained in the stipulation that it will operate only for foreign countries and confine its jurisdiction to exports. It is further presumed that shipments through the Central Sales-Bureau can be made only by manufacturers and never by middlemen. To the proper governmental authorities belongs the control of the Central Sales-Bureau in reference to its foreign customers, prices, and the right to lay partial or complete embargoes. This control is most easily to be carried out by granting the officials a seat and voice in the supreme directing body. To simplify affairs a certain number of places in the directorate of the Central Sales-Bureau and of the general guarantee fund will be filled by the same individuals, who are to be elected independently of each other by industry and the state authorities.

The Central Sales-Bureau is to be thought of as organized in a similar fashion to the general guarantee fund. The separate industries of protective value form branch sales-bureaus, which represent subordinate units of

the Central Sales-Bureau. The directors of these units as of those in the general guarantee fund must be in close contact, especially in regard to the above-mentioned indemnity quotas which are temporarily placed upon the protected industries. The Central Sales-Bureau is the executive organ for the practical carrying out of embargoes and boycotts. The co-operation of the general guarantee fund is necessary to maintain embargoes and boycotts without economic injury to the domestic industries involved. Its directors would administer the financial power.

The Central Sales-Bureau can of course be replaced by a purely administrative office to which must be reported all arrangements with foreign countries concerning products of protective value. This administrative office is the court of last appeal for export permission from the instant when embargo measures are applied. Which of the two forms of control is preferable will appear from the detailed studies of the government authorities and the industrial unions. Both bodies furnish the data for the export-control statistics and work out the rules and regulations for exports.

Industries having protective value are to make

known their foreign customers to a bureau of control. This bureau works hand in hand with the directors of the general guarantee fund. The directors of both bodies are elected independently of each other by industry and by the State.

THE CHINESE WALL OF SECRECY

Obsessed by the fear that their invaluable monopolies, the " shock troops " of their intended commercial conquests, will be imitated or transplanted to America or France or England, the Germans decree that no alien capital shall have any interest in any of them. To keep them at maximum efficiency they propose to replace all machinery to keep pace with even the minutest improvement ; to compel every scientist and inventor in the Empire to reveal his discoveries instantly to the monopolies, and to guard all their plants and processes with a cordon of bayonets. They are going to bolster these monstrosities of commerce with what they plainly call " special privileges "—rebates, tax remissions, premiums, long working hours, priority orders. And every employee, from president to water-boy, is to be enlisted for life—the better to create an " hereditary personnel " and maintain the pall of secrecy.

CHAPTER SIX

THE CHINESE WALL OF SECRECY

Hounding Allied Money out of Germany!—"Capital does not exist independently of the State"—Prods to speed up "Progress"—Compulsory Reports of Discoveries—The Veil of Mystery to enshroud German Inventions—"Special Privileges" for "Protective" Industries—Drafting Labour for Life—Strict Exclusion of Foreigners from Teuton Enterprises—The Ban on Entente Capital.

THE control of the State over those industries which, thanks to their protective value, serve as protection to the export trade must reach out also in the direction of capital; first, in order to strengthen and stiffen their financial backbone, and then in order to hinder foreign capital from gaining an influence over the conduct and control of these industries. The first purpose is to be accomplished by a subdivision under the administration of the general guarantee fund; the second, by the proper government officials (commercial registrars). Industries with protective value must never under any circumstances be at a loss for

capital; their securities must be permanently beyond the range of wild speculation. Their demands for capital must find satisfaction in the general guarantee fund, or, as the case may be, through its mediation with related industrial unions. In the case of industries especially valuable for protecting the export trade every influence of foreign capital must be eliminated. A seat and a voice in the directorates of such industries must be entirely out of the reach of foreigners.

Ways and means must be found to hinder the appointment of dummies in directorates, who are expected to prevent the formation of a majority at the important meetings, so as to defeat measures against foreign countries hostile to our exports. If the usual expedients here are of no avail, the State must have the right to annul directorate resolutions which could impair the protection of the export trade. That, to be sure, is an infringement of guaranteed commercial liberties, yet it is necessary when the State meets opposition in exercising its duty to protect exports. Capital also must learn that it does not exist and may not be active primarily for itself, but that the common welfare comes before its special interests, even forgetting for the moment that the latter

thrive most when capital is serving the common good.

The administration and conduct of industries with protective value must remain free from the influence of foreign capital.

PRODS TO SPEED UP "PROGRESS"

There are a number of industries with especially high protective value whose progressive development, which is absolutely essential to the continued maintenance of their protective value, is dependent upon their working equipment. This is especially true in mining industries. It is in the interest of profit to put up as long as possible with the equipment on hand (or, speaking in accounting terms, until it can be written off the books without any debt remaining). Such a practice is often incompatible with the attainment of the desired maximum efficiency, measuring this by the latest improvements in science and practical work. An industry of protective value must stand in the forefront in every respect, if the protective value expected of it is to be permanently at our disposal in its fullest extent.

It must not be overlooked that success

from the standpoint of profits is always assured to these industries (guarantee fund), if not on their account, at least in the interest of export protection. The general welfare demands that these industries be kept on a sound basis, with natural and satisfactory profits. Their rare and valuable advantages impose duties, among which is primarily that of continually perfecting operating equipment, working methods in use, and finally the organization of the business.

COMPULSORY REPORTS OF DISCOVERIES

All industries in a technical way are already subject to state control in respect to their safety provisions. We ought to welcome rather than condemn the addition of state control of manufacturing processes. Industry would reap only advantages from this, because it would automatically be advised of all means for perfecting and increasing its efficiency. In future, at least, we will certainly strive for this goal. Those who find themselves momentarily advanced in a technical way will combat it and because of their financial means will always be in a position

to make new advances. They will see in the general endeavour for this result an injury to their competitive superiority.

Closer examination, however, shows that this fear is unfounded. If technical improvements quickly become common property, progressive concerns will be forced to add new improvements to the old in order to remain superior. Since the exchange of inventions is mutual, they will likewise gain advantage from those of others. An uninterrupted contest is instituted in which (to the general advantage) there will always be a new leader at the top. Progress which formerly took place spasmodically will become constant. Improvements which give the owner superiority mislead him into resting on his oars in stagnant waters until others catch up. This rest acts like a brake upon the general progress which is necessary for the maintenance and increase of the export trade. A control of manufacturing processes would be the best imaginable encouragement for progress and the simplest medium of exchange for all individual improvements. To make such a control general will probably take many years, but its foundations can even now be laid through its introduction into those industries which have

especially high protective value. The experiences gained in this way will make its general application easier and will contribute toward banishing individual mistrust.

Whether this control of manufacturing processes is to be exercised directly through the State or through the medium of the associations of the various trades is a question of secondary nature. Here also the uniting of industrial and state representatives will probably present the best solution.

Industries with high protective value for the export trade are to be subjected to a control of manufacturing processes in order to assure an uninterrupted perfecting of their technical efficiency.

The body controlling manufacturing processes must have a system which keeps it informed concerning all improvements of a technical nature. It then has the duty of determining where and to what extent the practical application of these improvements can take place. The sources at its disposal are of a state and private nature. Frequent reports will be made to the controlling body concerning the scientific and experimental activity of state testing institutions, laboratories, and technical schools. This body will

naturally also be in close association with the patent authorities.

The duty of making reports will now fall to private experimental institutions and laboratories to which will be given scientific and practical support in return. From the mutual exchange of thought and experience there arises a co-operation of all forces subserving progress. It will be found necessary to lay down certain rules for commercializing new inventions in order to protect the maker from loss when the inventions are made accessible to broader circles. We dare not diminish his right to a share in the earnings. The more secure his rights and interests from the very start, the less becomes his opposition to a general application of his invention. For in this way experimental and inventive activity becomes, from the first, independent of individual capitalists and of capital in general. This duty to surrender inventions can extend for the present only to those the application of which strengthens industries having high protective value.

Inventions and other technical progress which can bring about an improvement in industries having protective value are subject to the duty of being reported to the body exercising control

of manufacturing processes. This body will transmit them to the industries mentioned.

To simplify the matter of compensating the inventors and authors of new improvements, recourse to the controlling body of the general guarantee fund again recommends itself. This body will charge a special sub-department with the estimation of the royalties, with the elaboration and completion of utilization agreements (between the inventor and the industry using the invention), and with the collection of royalties (licences) and the payment of these to the inventor, etc.

The financial activity resulting from the compulsory handing over of inventions and improvements is made the duty of the general guarantee fund.

THE VEIL OF MYSTERY

If all inventions and improvements are made accessible to a central office, a suitable organization will make it possible to keep these inventions and improvements out of the reach of foreign countries hostile to our exports, so far as it appears necessary for the protection of the export trade. The ways and means necessary for this purpose are to be invented

and worked out by the body exercising control of manufacturing processes, and are to be formulated by it in clearly and sharply defined regulations. These will not involve work materials alone, but also the persons engaged upon them.

The idea ought not exactly to get about that a Chinese wall is being thrown around German inventions and improvements, although the experiences of the war have taught us that too great scientific familiarity with foreign countries was rewarded by ingratitude and injury. It is, however, necessary to preserve certain inventions and improvements exclusively for our own industries as long as need be, in order to maintain their protective value undiminished for the sake of strengthening the export trade. Things like this seem difficult and complicated at first glance, but where there is a will there is a way. The will in this case is the command of self-preservation and for that reason is assured.

Inventions and improvements which are necessary for strengthening industries having a protective value must be withheld from foreign countries hostile to our exports.

Here, accordingly, arises a further obligation to compensate experimenters and inventors.

This obligation is to be met by the general guarantee fund which at the same time will make a charge upon (debit to) the industries making use of these inventions and improvements.

“ SPECIAL PRIVILEGES ” FOR “ PROTECTIVE ”
INDUSTRIES

In a purely material connection, industries having protective value must be granted special privileges so that they may be provided with raw materials and indispensable working equipment in advance of all other industries, for the sake of preventing any interruption in their activity. For instance, when raw materials are scarce, the industry having protective value has the preference. Again, in case of an interruption in the power current, safety precautions are to be taken beforehand at the general power plant to prevent an industry with protective value from being shut down. In securing coal, oil, benzine, ores, metals, etc., industries having protective value enjoy the preference, the same as state enterprises. As has already been explained prices are regulated by the general guarantee fund in case of advances in the market.

Among the prerogatives to be granted to industries with a protective value are also: freight concessions, which can be not only of a financial nature but also such as to expedite industrial processes; the granting of longer working hours in cases where they are temporarily necessary; brief tax remissions, and, if need be, tax exemptions; and expropriation rights when expansion or enlargement over new land is necessary.

Industries with protective value are to be given special privileges in ordering raw materials and other manufacturing necessities, and in reference to freight and transportation concessions, working hours, tax and expropriation rights.

DRAFTING LABOUR FOR LIFE

All persons who are employed in industries of protective value must be entered in special lists by the body controlling manufacturing processes, so as to safeguard these industries. From the general lists a special list is to be drawn up which contains the names of employees in protective industries, who work with manufacturing methods or procedures over which foreign countries hostile to our exports have no control. On the part of the

State, care must be taken that special material advantages (premiums, profit-sharing, pensions), both now and for the future, be granted to these individuals by the employer in order to hold them fast to the industry in question. These persons—whether they be directors, operating or scientific officers, or labourers—must be subject to a state organization similar to that of the army.

Without permission of this organization no emigration of persons in these lists can take place. They are subject to especially strict rules for safeguarding manufacturing secrets and methods. Foreigners cannot be permitted to find employment in concerns of this sort. A certain limitation of personal freedom, it must be confessed, is here involved, yet an objection against this can scarcely be raised, for there are considerable material advantages in return. No one, moreover, is compelled to take employment in these special industries. Whoever places himself at their disposal knows what rights and duties await him and must recognize that his continuation there is necessary in the interest of the country. There will always be deserters. They must expect severe punishment meted out according to the amount of responsibility attached to

the post which they left. On the other hand, freedom of personal movement within the same or a closely related industry is to suffer no limitation.

The employees in protective industries must be prevented from transferring these industries or parts of them to foreign countries. In these industries only German Subjects can be allowed to find employment.

STRICT EXCLUSION OF FOREIGNERS FROM TEUTON ENTERPRISES

The exclusive maintenance of such industries for the Empire demands a further control which extends to changes in ownership. Since these industries share the protection of the State in an especially high degree, the State must be given the right of consultation in case they pass into new hands. With an individual owner the state control will limit itself to ascertaining whether the future owner exhibits those peculiarities which in a material, technical, and moral connection offer a guarantee that the industry in question will remain at its former height and capacity for development, and banish all possibility of its being transplanted to foreign countries by the new owner.

In the case of industries with the form of companies, the State will exercise its rights already mentioned above, in reference to the appointment of executors and directors. The exclusion of foreigners is important in all cases.

Change of ownership in protective industries and also the appointment of their higher officers are subject to the approval of the State.

No objection will generally be made to industries of protective value having an interest in similar or related industries within Germany (first process, or improving industries), as long as the participation does not bring about financial weakness or an undesirable dispersion of energy endangering their protective value. Participation in similar foreign industries will only be admissible where there is no doubt about the security of raw materials or pre-manufactures, and where financial participation brings with it no weakening of the main firm or tendency toward a transplanting of the industry. Such participation, besides being entirely subject to approval by the State in all cases of protective industries, must also take place in such a form that an undiminishable right to a decisive voice in the deliberations of the foreign firm

is gained by the industry owning the interest.

In the establishment of foreign branches (the appointment of representatives) by protective industries, special care should be taken in all cases that foreign officials cannot possibly get an insight into the manufacturing process. The personnel of these officials must be known to our state control.

The participation of protective industries in foreign industries is subject to the approval of the State, which is granted under certain pertinent regulations. Such participation cannot be permitted when it involves the possibility of a protective industry being transplanted.

THE BAN ON ENTENTE CAPITAL

The participation of foreign capital in protective industries must be absolutely debarred. This exclusion can be accomplished by registering the name of the owner on stock when it is issued, and by the stipulation that dividends will be paid only to citizens of the Empire, who must prove themselves the owners. With an individual proprietor this exclusion involves merely the rule that he must be a citizen of the Empire. The substitution of dummies

can never of course be prevented, yet the injurious influence arising from it will be entirely avoided by the measures of control mentioned earlier. The oversight and control of capital in its efforts to buy an interest in our industries must be conducted with special strictness, because herein lies the breach through which foreign countries hostile to our exportation can most easily attack our protective industry. Foreign countries will try to buy such an interest not only in order to make our industries of protective value subservient to them and to prepare their transplanting, but also because the protective industries, thanks to their exceptional position, will in all probability return sure and satisfactory profits.

Foreign capital is to be excluded from protective industries. It cannot be permitted to acquire any sort of influence over them.

**DIPLOMACY, THE ADVANCE GUARD OF
THE EXPORT WAR**

To maintain exclusive and overwhelming advantages for German commerce throughout the world, the German Diplomatic corps will operate as an Advance Guard of the Commercial Invasion, working in secret unison with every agency—to-wit, every German—in Allied lands. The “Defence Statistics,” trade conditions, business methods and markets, and all actions hostile to Kultur will thus instantly be marshalled and reported. And the Kaiser presumes that by dint of offering to trade rebate for rebate, subsidy for subsidy, and private advantage for German toleration, some nations can be translated into the Prussian influence and will open their doors with privy welcome to German goods. Temptation, in the shape of secret concessions, and incentive, in the shape of murderous threats, are to be skilfully manipulated by the Ambassadors from Berlin, constituting the weapons with which the Allies in succession are to be dragged into the spider’s web.

CHAPTER SEVEN

DIPLOMACY, THE ADVANCE GUARD OF THE EXPORT WAR

Private Advantage and Hidden Rebates the Basis of German Business—Obtaining Secret Privileges Abroad—Confidential Exchange of “Compensations”—A Tempting Bargain in Rebates and Premiums—The Prize Bait of the Prussian Ambassador.

4. ECONOMIC COMPENSATIONS

WE should make a distinction between economic compensations as to whether they are domestic or foreign. Both have the purpose of assuring advantage to our own country, the latter through a direct effect upon the domestic industry, the former in the same way or indirectly through the granting of such concessions to foreign countries as will benefit our domestic industry and therewith our export trade.

Economic advantages of a domestic nature have been treated for the most part in the preceding paragraphs. The compensations granted within our country, as appears from

earlier explanations, represent a mutual exchange of strength accomplished under the direction of the State between the industries with protective value and the industries to be protected, with the single purpose of throttling every attempt to weaken the export trade. The compensations consist of easily payable indemnities for the protective industry which embargoes its exports in order to secure justice for others, and in moral and material preferments which are given to industries having a protective value.

OBTAINING SECRET PRIVILEGES ABROAD

In return for the protective services which must at times be demanded of certain industries and performed by them in the interest of the German export trade, these industries must also be assured special privileges and compensations by commercio-political means in foreign countries. The trade bureaus of the diplomatic representatives will have the duty of granting these industries not only especial attention but also special support in counsel and action. This support will have to go so far that it represents to a certain degree the very foundation for the activity of these

industries in foreign countries. By this it is not meant that the other industries are not likewise to share the careful support of the foreign representatives of the State, but they will have to come after the industries having a protective value, for the strengthening of the latter by diplomatic support represents and immediately induces after it the strengthening of all other industries shipping to this foreign country.

Industries with protective value have claims upon special support and advancement through the diplomatic missions.

These claims make it necessary for diplomatic missions engaged in foreign countries to have not only representatives who look after the interests of commerce from a political point of view, but also those who study commerce from the standpoint of industry. The latter, whenever possible, must be chosen right from the ranks of industrial life. The thought readily suggests itself that these representatives should work hand in hand with the domestic protective organizations which were mentioned in earlier explanations and that the latter organizations should represent the source from which the permanent assistants of our missions abroad are drawn. It must

not be overlooked that in imposing temporary embargoes on our exports when the need arises, the deciding factor will be the reports from our foreign missions. These reports must not only be thoroughly practical but also expert. This second condition presupposes an expert staff such as is scarcely imaginable without practical training and industrial experience for years in advance. The experiences which have been gained recently in high offices of state with men who came from the outside world of affairs give a satisfying assurance that officials of our foreign missions who come from industrial circles will perform good service for the export trade.

For the protection of industrial exports there are to be placed at the disposal of our diplomatic missions in foreign countries representatives who have had unusual experience in many years of industrial activity.

CONFIDENTIAL EXCHANGE OF "COMPENSATIONS"

By placing officials in our foreign missions better and faster work will be done on statistics, so that we can have an exact idea of the condition of the export trade at all times. Every

upward and downward movement of exportation in general or of any individual export will immediately be recognizable in its full extent and will be subject to regulation by the proper measures.

Besides the above-mentioned compensations in which industries with protective value can share there is still a larger number, the necessity for which is conditioned by current circumstances. It is for instance imaginable that a foreign country may promote by import measures German industries not essential to it if other German industrial products which this country finds necessary are introduced as cheaply as possible. The degree of cheapness coming into question here can become so low under certain circumstances that the industry in question endangers its profitableness if it wishes to meet the demand. Since, however, the fulfilment of this demand is in the interest of other export products a financial equalization must be made. It can be brought about either by recourse to the general guarantee fund or by granting export premiums through the State or by combining both means of assistance.

Another form of compensation consists in allowing duty-free importation of raw or un-

finished materials needed by industries having protective value, in order to satisfy the demand in question; in many cases a temporary exemption from duty, often only a moderation of duty, will suffice.

Besides the support and preferments explained in the previous paragraph which are to be granted to industries having protective value, compensations should be devised in the interest of the entire export trade, in the form of export premiums, duty-reductions and -exemptions.

A TEMPTING BARGAIN IN PREMIUMS

It will be the duty of the representatives of industrial commerce in our foreign embassies to point out to the agents of foreign concerns that the interests of their own country will be served by placing certain industries of Germany in a position to supply their country cheaply. If this hint is well received, then the next task of the representatives of industrial commerce will be to inquire into what kinds of compensation foreign countries grant to German industries whose goods they expect to import at a certain minimum price, and then to induce the proper authorities in the country in question to grant these compensa-

tions permanently or temporarily. Such compensations might for instance take the form of freight rebates upon the transportation routes which lead to Germany, or the form of foreign export premiums upon raw materials which the German industry in question needs for the sake of cheap production, and which are produced in the foreign country itself. These compensations will of course have reference only to such amounts of raw materials as correspond to the amounts of finished products shipped from Germany to the country in question.

It will be the task of our diplomatic representatives to secure special inducements from foreign countries for our industries of protective value, whose products are needed by the foreign countries.

In return for these inducements, Germany will grant freight rebates to goods passing through her territory on the way to the foreign countries. The feasibility of mutual compensations, for the purpose of making sure that both parties get the raw materials and manufactured articles they need, is too self-evident to require further discussion. If, in the interest of industrial exports, compensations of such a nature as to injure one domestic

industry while benefiting another are necessary, recourse will again be had to the general guarantee fund to indemnify the former for its loss. It is plain therefore that compensations giving rise to such loss ought only to be granted with the consent of the highest authorities in industry. Here again we find that from every point of view an uninterrupted contact between government officials and industrial authorities is necessary. The guiding lines for mutual compensations are established by commercial treaties.

The export trade can also be encouraged by mutual compensations between the countries of import and export, such that both countries will always find their needs supplied.

THE PRIZE BAIT OF THE PRUSSIAN EMBASSY

Finally we can imagine a case where, on account of the attitude of some foreign country, the *peaceful* growth of Germany's industrial exports will appear possible only if we consent to the transplanting of an especially important industry to that country. So far as our own industrial circles are concerned—in other words, so far as concerns the owner of the industry to be transplanted—opposition to this demand

will be met with only in the rarest cases. It is even imaginable—capital is always selfish—that suggestions leading a foreign country to demand a compensation of this sort will come by roundabout ways, the starting point of which, however, will be found in our own capitalist circles interested in the deal. From earlier explanations it appears that the most permanent protection for the entire manufacturing export trade lies in those very industries the transplanting of which to foreign countries must be prevented. It may indeed be possible that, in carefully weighing the advantages and disadvantages, the balance sinks on the side of permitting the transplantation, but it is not very probable that the advantages will *permanently* outweigh the disadvantages. There will be greater likelihood of the permission being granted if undeniable proof can be submitted that a considerable number of other industries not yet transplanted are at hand, to make up for the loss to the sum total of protective value incurred by the transplanting of an industry.

Since the number of such especially valuable industries—valuable in reference to their protection for industrial exports—is not too large, the question whether such a proof will be

possible must for the present be passed over. Here also we should repeat our oft-mentioned admonition not to put much trust in treaties. No one after all can guarantee that, after an industry has actually been transplanted into a foreign country, that country will not find some excuse or pretext for refusing to perform what it has guaranteed by treaty in return. It is also not to be overlooked that an industry transplanted to one foreign country lessens beforehand the general protection available against a second foreign country. For suppose Germany decrees an embargo upon the products of this very industry as against this second foreign country, as a protective measure for certain other exports. The transplanted industry could scarcely be prevented from supplying that country.

If these possible results are taken into consideration it then appears that the transplanting of a valuable industry, hitherto only pursued in Germany, to *one* foreign country is equivalent to transplanting it to the *whole* outside world without the possibility of our getting from the world an equivalent service. If, therefore, advantages are gained from the one foreign country, these are offset by the immeasurable disadvantages which arise from

our export trade having once and for all unconditionally resigned a powerful protective weapon against the rest of the world. Such a procedure could indeed scarcely be consented to, even if momentarily alluring advantages should be gained by it. Not momentary value is of importance but *permanent* future value.

Compensations in the form of permission to transplant valuable industries to foreign countries are not allowable.

A FEUDAL SYSTEM OF COMMERCE

In order to accomplish their programme, the commercial war lords of Essen and Hamburg agree that absolute and dictatorial power shall remain in the German "State." It is to retain the "Divine Right" by which it can forthwith commandeer those minerals that are the life blood of industry; to sentence labouring men for life to any pursuit at any wages, and hedge them around with jailers; to draft experts and captains of industry upon service determined by the General Staff; to decree tariffs, embargoes, freight rates, rebates, premiums and subsidies at will; to levy "contributions" upon all business and all workmen alike, disposing thereof as it chooses, and to direct the personal actions, aspirations, endeavours, and rewards of all men of scientific, technical, or financial capacity. Not only personal liberty, but the immortal spark of genius is to be chained to the Imperial chariot wheels.

CHAPTER EIGHT

A FEUDAL SYSTEM OF COMMERCE

The Panacea of Arbitrary Power—The Unquestioned Command of Supplies—Dispersing Workmen's Unions—The Universal Levy on Capital and Labour—State Ownership of the Individual—Jurisdiction over the Minds of Scientists.

5. STATE PROTECTION

THE work of strengthening and safeguarding Germany's export trade will only be accompanied by permanent success if those industries which exhibit special protective value are assured of a proportionate amount of state protection. This protection will involve : guarding against interruptions in manufacture, such as might arise in procuring raw materials and machinery, and in labour troubles. It will make right losses which are incurred through regulation of the export trade, keep manufacturing secrets intact and prevent movements of labour and capital which endanger these secrets. State protection will also supplement the work of the associa-

tions which were formed by the various trade interests for accomplishing these same tasks.

THE UNQUESTIONED COMMAND OF SUPPLIES

It has already often been pointed out that the starting point of all protective measures lies in making secure the supply of raw materials. Through suitable laws and regulations the State will have to take care that under all circumstances protective industries must be supplied from within our own country with the raw materials and machinery which they need for the maintenance of their business and for the production of unsurpassable goods. It will be the task of the State to see that there are no interruptions in the connection between raw-material producers and their customers; that industries of protective value are supplied before all other buyers; and that these protective industries be charged only such prices for their supplies as are compatible with the price limits which must be imposed upon their output. Where such moderate charges are impossible through the nature of momentary circumstances, the difference which is having an injurious effect upon the price at which the protective industries can manu-

facture must be made up by the State in a form which balances inequalities without making noticeable inroads upon state finances. For this purpose it will not be absolutely necessary to pay out cash subsidies. Export premiums, freight rebates, etc., in amounts determined by the price difference to be equalized, will suffice in most cases. The producer of raw materials can also be induced to a corresponding moderation in price if the State assures him in return certain contracts at maximum prices. For then he can increase the value of such contracts by postponing the time of fulfilment to a period of lower market. Encouragements in other ways may be given to the producer to induce him to a moderation in price.

The state protection begins with making secure the sources upon which the manufactures of the protective industries depend.

DISPERSING WORKMEN'S UNIONS

In general it will be easier to safeguard the supply of raw materials than to safeguard the manufacturing process itself, the greatest danger to which is to be found in the relations between employer and employee. Both put

their personal interests foremost. The former will try to raise the amount of work required (to take a very bald example) and to lower wages; the latter will strive for the opposites. It will be the duty of the State to interpose, and mediate between them or bring about a reconciliation. Before all else, however, it ought to take care that points of friction which could give rise to differences of opinion are forthwith banished. Work and wages must be adjusted so that the course of manufacture may remain *unvarying*. Every interruption in the activity and development of a protective industry has an injurious effect upon the whole manufacturing export trade, because its very protective value, at least for the time, runs the risk of not being considered as a factor of importance which can be reckoned upon.

The solution of this question is all the more difficult because here the generally accepted principles can scarcely be applied. Rather will the regulations to be issued in this connection have to confine themselves to pointing out the general guiding lines in accordance with which one must proceed. In every case mischief-makers who try to advance their personal interests to the injury of protective

value are to be severely punished. Certain statutory limits must be placed upon the right of forming combinations, whether it be invoked by proprietors or by subordinates, to the injury of a protective industry. It is not a question of the individual, but of the whole! More than ever it will be necessary to give all co-workers in a protective industry a share in its earnings. If all have a common interest no one will then attempt an injury to it.

Persons who are listed as employees in the rolls of protective industries are subject to especially strict rules in reference to the preservation of manufacturing secrets and to safeguarding the industry against transplantation. Danger of the latter comes largely from the higher officers among the employees, and often from the management itself or from the capitalists interested in the business. The regulations will have to provide that the officers are bonded to the proper amount, and that the stock of the concern can be requisitioned and called in when necessary. They must provide that no one person can ever become possessor of the entire secret of manufacture wherever such a thing is avoidable, that the way the manufacture is conducted never dis-

closes the secret itself, and finally that aliens can find no employment in such industries.

Industries of protective value can be kept in uninterrupted operation only by the co-operation of the State. The State, primarily, has the duty of guarding against transplantation.

THE UNIVERSAL LEVY ON CAPITAL AND LABOUR

If it becomes necessary to place an embargo on the shipments of certain protective industries to foreign countries for the benefit of our export trade, the industries hit by the embargo will be decidedly injured if it leads to a cessation of work. The employees will also suffer. Since the embargo is dictated by the State, the latter has the duty of providing compensation, regardless of whether it itself pays this or not. If, therefore, the State be granted by law the right to lay an embargo (the recognition of this right is required in the interest of the manufacturing export trade), ways and means of procuring compensation funds must be made plain, and the principles which are to govern the payment of the compensations to the claimant must be defined.

As has been explained earlier, the parties

who benefit by the embargo, or on behalf of whose exports the embargo was laid, are to be called upon to furnish compensation for the embargoed industries and their workmen. The benefited parties include not only employers but also the employees in their service ; it seems reasonable that both should be liable to furnish compensation, in proportion of course to the amount of profit which has come to them. This liability becomes oppressive when it must be met without preparation. The state regulations will therefore go farther and specify in what form and to what extent the compensation funds are to be provided beforehand, in what way the contributions from all liable parties are to be collected, and in what manner repayment is to take place after the embargo is raised.

That repayment is justified has already been shown ; for after the embargo is lifted the industries which were under it may expect increased manufacturing activity and increased sales which will last until the normal supply of the consumer is reached. As a matter of principle the repayment ought to begin with the commencement of this increased activity and to end when normal conditions are resumed. Since employers as well as employees of the

embargoed industries share in the benefits of compensation, both must be called upon for repayment. In all probability deposits to, and withdrawals from, the compensation fund will represent an approximately symmetrical wavy line, the first crest of which is represented by the deposits (preparatory fulfilment of the duty of compensation), the first trough by the compensation (to the embargoed industry and its employees), and the second crest by the repayment (made by the industry and employees after the embargo is lifted), etc. The only actual loss of money will therefore be through the necessary interest payments which in justice ought to be made by *all* the parties concerned.

State protection must include making good and regulating all deficits caused by temporary embargoes on protective industries in the interest of industrial exports.

If embargoed industries are to be able to supply the increased demand for their products after the embargo is lifted, they ought to continue operation as much as possible during the time their shipping is prohibited; in other words, they should work upon a stock-surplus. The claims upon the compensation fund will in this case be higher than if

they shut down, for, should they stop work, the fund would only be relied upon for profits. When operations are continued, however, raw materials will have to be supplied, and running expenses met, while at the same time the foreign country affected by the embargo will perhaps withhold payments. The compensation fund is to be estimated with these facts in mind.

The effective carrying out of the embargo, that is, the prevention of deliveries of embargoed products by indirect routes, is the business of the State. It therefore has the duty of formulating measures of control, which will render the embargo effective.

STATE OWNERSHIP OF THE INDIVIDUAL

Capital will be hard hit not only by embargo measures, but still more by the transplanting of the protective industries being forbidden. These industries can be endangered by movements of labour, where skilled workmen are involved. Protection might without a doubt be had against this danger by placing the labour lists under state supervision, in the same way that this was done in certain industries during the war, with success and to the

general satisfaction—also to that of the employees. This form of militarizing invaluable industries can scarcely be avoided in spite of the opposition it will be exposed to in times of peace. Increased participation in profits will make this compulsion easier to bear; favourable provision for old age will considerably mollify it. Constraint must likewise be put upon capital, if it shows itself stubborn in pushing through transplantings. Then, too, we must always reckon with short-sighted and narrow-hearted capital. It is possible that leading capitalists might resolve to shut down the protective industry if its transplanting is prevented, or that they may refuse to grant further capital for a necessary expansion of this industry. In such cases the State must step in without fear or favour; the right of expropriation must be established by law for this purpose. If there is danger that the refractory individuals may find themselves relieved of their entire capital, then there will scarcely be damaging resistance from the capitalist side.

The State must be given the right to use coercive measures in preventing the withdrawal of workers and capital from protective industries.

JURISDICTION OVER THE MINDS OF SCIENTISTS

In all these protective measures the State will find good support in all industrial and technical associations which work in the interest of the entire manufacturing export trade. To prevent damage being done by the special interests of one kind of industry, these various associations must be united into a common body in the supreme control of which the State is to have a deciding voice. The better these bodies and the special representatives of the State co-operate, the more effective becomes the state protection of industries and of their export trade !

**ORGANIZATION OF THE GERMAN
EXPORT ARMY**

Just as every suitable human being in the empire was drafted into the army, so every plant in the Kingdom is to be conscripted into the German Industrial Army for the export war. Each industry will constitute an Army Corps, divided into five divisions—scientific, industrial, mercantile, commercial, and financial. Presiding over each division will be a generalissimo. These generalissimos, together with a controlling number of state functionaries, will constitute the five great Boards of Strategy, whose heads in turn will be the Great General Staff, the fountain head and final dictator of the campaign.

The Scientific Division will draft into service all inventors, and conduct in carefully formulated detail the production and application of those inventions and discoveries required by the Industrial Division, which in turn will marshal them where most needed, and act as an immense clearing house and information bureau for all technical improvements.

CHAPTER NINE

ORGANIZATION OF THE GERMAN EXPORT ARMY

The Army Corps of the Commercial Offensive—Industrial Divisions in Action—The Board of Strategy—The General Staff—Tactics of the Scientific Division—Drafting and Drilling the Inventors—Assembling the Fruits of Genius—Capturing Foreign Inventions—The Industrial Division, the Compulsory Information Bureau.

6. INDUSTRIAL PROTECTIVE UNIONS

A SPLITTING up of state protection is to be avoided under all circumstances. Each individual manufacturer is to participate in it, yet not directly, otherwise the number of negotiations and investigations would become endless, friction between the individual manufacturers who persist in putting their own special interests foremost would be unavoidable, oversight of the justification of individual demands would be lost, and chaos would result, bringing severe injury to the export trade.

INDUSTRIAL DIVISIONS IN ACTION

The protective power emanating from the State's authority must be thought of as the

composite result of the influence exercised by separate federations which serve scientific, industrial, mercantile, commercio-industrial, and financial purposes, and whose basis is formed by the individual kinds of industry. In this way it is impossible, from the very first, for the selfish interests of a single form of industry to win the upper hand and injure those of other industries. Each influence in the composite whole represents within the bounds of its own federation another whole, the component parts of which are to be looked upon as protective influence for the individual kind of industry. Since each of the above-named federations exerts part of its influence upon every kind of industry, the result is that every kind of industry stands under five different protective influences (those protecting scientific, industrial, mercantile, commercio-industrial, and financial interests). These influences thus form a polygon, whose result is the centralized state protection upon which the kind of industry in question can reckon.

THE BOARD OF STRATEGY

As long as the influence of each individual kind of industry is properly balanced (that is,

no commercio-industrial measures, for instance, are carried out at the expense of manufacture, or no financial measures at the expense of commercial industry, etc.), the resulting whole, in its force and nature, will not be out of proportion, and the entire protective system will therefore be at equilibrium. Consequently, the State's protection attains undiminished uniform effectiveness; the whole protective system works smoothly. On the other hand every change in the combinations of influence will affect the great whole, and will therefore be immediately detected. Thus it admits of being removed without delay. In other words: every selfish measure, which is detrimental to industrial exports in general, and which is not in harmony with the whole protective system, can at once be recognized and stopped.

State protection affects the federations directly. The latter conduct it to the individual kinds of industry and through these to the individual industries.

THE GENERAL STAFF

In this statement are given the guiding lines for the construction of the state protective organization for which it is a matter of in-

difference whether the federations are entirely of a governmental nature (state officials) or entirely of an industrial nature (boards), or of the two combined. From the introductory discussion it is to be seen that the mixed system is given the preference, for this avoids in equal measure bureaucratic clumsiness and inflexibility and the dominating influence of selfish special interests either from the lesser unions in a federation or from individuals in general. In the mixed system the state delegates are personally disinterested individuals—therefore unselfish; the delegates of industry are personally interested—therefore selfish. The latter will make demands, the former will bring them within reasonable limits in the interest of industrial exports as a whole. Thus the state delegates will act as a counterpoise.

Such a federation is to be compared to a large reservoir into which flow the carefully defined protective measures of the State, worked out theoretically for the time being, and also all the special interests of industry. Here they mingle, to be united at last in a quiet and clarified whole, the pressure (protective effect) of which finds its outlet through the proper channels.

Protective measures for the export trade are issued by a single body which is composed of state and industrial representatives and which hands down its instructions to the individual federations.

The federations are elected by industry, perhaps best by the governors of the sub-associations. They will include in their membership a state representative, who will have the duty of making reports to the state delegates in the supreme body which is made up according to the mixed system. The number and kind of sub-associations are given by the number and kind of those principal industries which are concerned in the manufacturing export trade. It will be advantageous for the separate sub-associations to organize themselves again into sections of a scientific, industrial, mercantile, commercio-industrial, and financial nature. The chairmen of these five sections constitute the directorate of the sub-associations, and are at the same time members of the appropriate federation and reporters for their trade specialty in it (for instance the chairman of a commercio-industrial section is a member of the commercio-industrial federation).

TACTICS OF THE SCIENTIFIC DIVISION

The duties of the scientific federation will be :

To work out proposals for the practical use of new scientific improvements in the interest of protection for industrial exports.

To arrange competitions with prizes for those who can contrive substitutes for raw materials which are now supplied by foreign countries hostile to our exports. In this way our own industries will be made less dependent.

To go over, revise, and make reports on the solutions which have been submitted.

To exert an influence over state and private testing stations.

To provide the scientific answer to the problems arising in every-day work.

To watch for and follow up all inventions and improvements in foreign countries.

To centralize all scientific research, so far as it might have an influence upon industrial exports.

To publish a scientific journal for the exclusive purpose of promoting the export trade, and of keeping the parties interested in it informed.

Many scientific gains remain for ever within the scholar's study in which they originated,

because of exaggerated modesty, selfishness, or a lack of practical knowledge. They must be called forth from obscurity and be turned over to men of affairs who, from an industrial standpoint, will separate the wheat from the chaff. The directors of the federation must see that justice is done to the scholar's moral and financial rights. It will therefore be necessary to create a bureau which will collect scientific improvements, turn them over to practical application, and watch over and encourage this application itself (most easily accomplished by delegating the scientific inventor as its agent). This bureau of collection must work hand in hand with a bureau for testing out scientific improvements, which has the duty, when necessary, of providing the necessary financial interest of the inventor.

It is the duty of the scientific federation to put to practical test all scientific improvements connected with the export trade.

DRAFTING AND DRILLING THE INVENTORS

Foreign countries hostile to our exports can take an especially effective stand against our industrial trade when they have large or exclusive control over raw materials which

German industry cannot do without. (They ought seldom to have *exclusive* control.) The course of the war thus far has taught us that our enemies know how to use such weapons. However, it has also shown that German science did not remain idle. On the contrary it found in this a new stimulus to produce substitutes for raw materials withheld by foreign countries. Since we must reckon that foreign countries may make profitable use of monopolies in raw materials also in the future, it will be the duty of the scientific federation not only to take the path already used by individuals in producing substitutes, but also to broaden it by means of science and organization. It should make clear the needs of the situation and should give the instruction and suggestions necessary for the manufacture of substitutes in sufficient quantities. Laboratories and testing stations will be called upon for joint assistance. Under the guidance of the federation men trained in theory will join with the men from the ranks of experience in working out the necessary directions for the application and use of the substitutes. Through the co-operation of government experts, mining operations given up because of their poor productivity in comparison with foreign mines

will be given a new and more practical exploitation. New combinations of electrical and chemical devices are to be proposed in order to gain independence of foreign countries in the market for raw materials. With the increase of this independence, our protective values rise, and the commercio-industrial weapons which can be used against foreign countries hostile to our exports become more effective.

ASSEMBLING THE FRUITS OF GENIUS

In order to enlist even the farthest circles in this work of preparedness the scientific federation will work out those principles which underlie the problem of producing substitutes, will list in logical order the substitutes to be worked out, and will make corresponding offers of prizes. The solutions which are sent in must be judged primarily from the standpoint of the principles which have been laid down, and secondarily in reference to the possibility of manufacturing the proposed substitutes, and using them profitably in industry. To estimate these, the representatives of the proper industries are to be given a place in the judging bodies. If the solutions

in question are recognized as suitable substitutes the scientific federation, in common with the industrial federation to be discussed farther on, has to determine ways and means to carry out the manufacture of the substitutes in bulk. They will then be delivered to the industries where they are needed through the commercio-industrial, or, as the case may be, through the mercantile federation.

It is a further duty of the scientific federation to produce or provide a way for the production of substitutes for important raw materials that can be secured only from foreign countries. Dangerous weapons against our export trade can thus be wrested from the hands of countries which are hostile to our exports.

CAPTURING FOREIGN INVENTIONS

The scientific federation will create an office for collecting all international technical improvements of a theoretical and practical nature, will arrange incoming material according to industries, will make comparisons with similar or related German improvements, and will deduce from new material the practical lessons to be applied to German industry. In order to start the process of application it will

arrange the material according to the various kinds of industry, after having summarized and united it, and will add the theoretical and practical explanations which will make it clear to the man of industry. The material should then be passed on to the industrial sections of the proper kinds of industry. These sections will get in touch with the individual concerns, so that the proposals of the scientific federation can be put into actual practice. Not only theoretical and industrial requirements but also commercio-industrial, and above all financial considerations will of course play their part in such a procedure.

We thus can see that uninterrupted co-operation goes on between the individual federations, their subdivisions, and sections. By this co-operation, the consciousness of unity is strengthened, selfish aberrations are avoided, and there is attained a state of general protection whose results will be favourable for individual enterprisers and their export trade. Everything which originates in foreign countries or is recast by them must be weighed and tested by this central office in reference to its superiority to similar German improvements and in reference to the possibility of

its utilization for the profit and strength of German industrial exports.

Here, as with all other associations, special value should be laid upon avoiding all complication of business routine and upon speeding up all protective activity. Since everything is destined finally for use in practical business, it must all be dealt with in a swift and practical way. In matter-of-fact affairs, bureaucratic red tape is to be avoided because it slows things up. We will be in a continual race with foreign countries for the purpose of overtaking them, and meanwhile they are hardly going to remain idle. The more spiritedly business is dispatched between the individual protective bodies, the more easily and surely it will be possible for us to catch up. All efforts must be directed toward blunting as quickly as possible every new weapon which foreign countries forge against the German export trade. At the same time, however, we must invent new weapons of defence by which the protection of that trade will be increased.

The scientific federation forms an office for collecting all technical improvements abroad, and for adapting these to the use of the German manufacturing export trade.

It appears that the publication of a trade journal is the simplest means of informing all interested parties concerning all measures, organizations, researches and their results, tests, in actual work, and the practical value of innovations, etc. This trade magazine (whose title might for instance be *The Industrial Exporter's Herald*) will consist of five main divisions in accordance with the above-mentioned organization, each of which is to be edited by one of the above-mentioned federations.

The part of the trade magazine to be edited by the scientific federation will consist largely of a periodically recurring enumeration of all domestic and foreign improvements important for the export trade, their industrial value, reports concerning experiments with substitutes and new work materials, instructions and directions, prize competitions and their results.

A journal serving Germany's manufacturing export trade shall record the results of the activity of the five federations and of their associated and subordinate bodies.

THE COMPULSORY INFORMATION BUREAU

The industrial federation will, in the main, be associated with the scientific, and will have the duty of arranging for the industrial application of the improvements of a domestic and foreign nature, submitted to it by the scientific federation, and of starting the manufacture of substitutes; or, by the reverse process, it will turn over to the scientific federation requests for the scientific treatment of new or still incompleated industrial problems. The industrial federation will co-operate with that of commercial industry when it becomes necessary to put articles of export on a better competitive footing so far as price goes, through contriving more efficient machinery and through better utilization of raw material.

In order to prevent unnecessarily large sums of money from being squandered in attempts to put the fruits of scientific research into use, the industrial federation will establish an experiment division which can supply all the practical suggestions which will benefit the export trade. This central office is necessary in order to keep research work unified and to convey the experiences which were gained with the same material by different parties

to all who work with it. The experiment division, which will be conducted by practical men (delegates of the industries in question), is not to carry out the work of experimentation itself, and will therefore use no experimental plants. Its function is to direct the work in the existing State or private stations, which by their experience and equipment are placed in a position to carry out the assigned work in a practical manner, according to all rules of science. The same problems will be assigned simultaneously to various experiment stations in order that diverse results and opinions may be brought to bear. The various results and views will then be compared by the experiment division with the co-operation of the practical men who evolved them. So, in most cases, a working programme for the final solution of the assigned problems will be gained by combining the best practical details and view-points of the individual solutions.

It will be the duty of the experiment division to determine the numerical share of the individual workers in the practical solution in order to obtain a scale for their financial compensation. Likewise it will have the duty of making proposals to the proper federation

concerning the royalties to be charged for the use of the invention.

The industrial federation is called upon to put scientific discoveries into practical use in the interest of strengthening the export trade.

A second department of the industrial federation will serve as an office to collect all the demands made by practical industry upon science. Practical men are often more keen-eyed, because they are under the lash of competition. They will comprehend more quickly the superiority of foreign products because the latter threaten to supplant their own. Cases will arise where the industrial enterpriser cannot overtake his competitors in technical matters because he lacks certain scientific fundamentals and a knowledge of the findings and suggestions of experts. In such cases he will have recourse to the collection office of the industrial federation. It will be found that claims of the same kind are often made upon this office. They will then be passed on to the scientific federation to be answered. The suggestions it makes will be returned to the collection office by way of the experiment division of the industrial federation, in a practical form which has already been proven good by experimentation. The

collection office hands them back to the individuals who originally asked for the information, and simultaneously makes them known to all the proper concerns (through the trade journal).

The collection office likewise has work to do, viz.: when the manufacturers send in a call for substitutes for certain raw materials; when the commercio-industrial federation has occasion to point out that certain raw materials are not sufficiently utilized in comparison with the methods of foreign competition; when domestic industry takes insufficient account of certain usable qualities in waste products; and when it appears that foreign competitors have in use machinery of superior efficiency, which gives them an industrial advantage over Germany. Here, too, we shall find that remarks and suggestions will be made by various parties on the same subject. The collection office will unite and sift these and will pass them on, along with pertinent suggestions, in a unified inclusive form to the scientific federation; or, as the case may be, it will deliver to the inquirers the advice they have sought, as it comes back.

The industrial federation has the further task of collecting the technical suggestions coming

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from industrial circles and of giving these a
practical test, in order that the superiority of
German industry may be permanently maintained.*

All occurrences of a technical nature which are of interest to industry are brought to general notice by the industrial federation in the common trade journal. In these articles hints on the practical lessons afforded by the occurrences, and their influence in strengthening the export trade, are to be given prominence.

THE EXPORT ARMY IN ACTION

The Field-M Marshals who are to execute the active manœuvres of the coming trade war will operate from the commercial Division Headquarters. Theirs the duty to snap out the orders, to hoard up the potash, hold up the shipping, slap on the premium and distribute the largess which will gather in their war chest. Theirs the privilege of enrolling the secret army that will permeate every rolling mill and drug store in Christendom, and of dictating the thunder of diplomat and war lord when their schemes begin to fail. To the last comma their duties are defined—how they will outflank the Yankees through neutral territory, eliminate friction by not tolerating it, establish themselves as an inevitable collection agency for German merchants, and straddle the world as a court of last resort passing upon all trade disputes under the sun.

CHAPTER TEN

THE EXPORT ARMY IN ACTION

The Ubiquitous Commercial Division—The Dictator of the World's Prices—In Charge of the War Chest—The Espionage Headquarters—The Men behind the Guns—The Supreme Court of Creation—Launching the Propaganda—The Listening Post of Kultur—The Automatic Collection Agency—The Money Kings' Campaign.

To the commercio-industrial federation belong the following duties :

Safeguarding the supply of certain raw materials which must be shipped from foreign countries, or, as the case may be, safeguarding the supply of their substitutes.

The creation of organizations for the purchase and distribution of raw materials.

The creation of the various guarantee and compensation funds mentioned above.

The rendering of reports to the other federations concerning foreign and domestic facts of interest.

Advisory activity in commercio-political affairs (commercial treaties).

Supporting our embassies abroad in com-
mercio-industrial matters.

The diffusion of information among German
industrial concerns.

The settlement of difficulties between pro-
ducer and customer, should such arise.

Advertising German goods in foreign coun-
tries (by sample displays and exhibits).

The compilation of statistics, from which
one can find out the ratios and amounts of
various exports in case embargo measures are
adopted.

Making suggestions to the proper officials
concerning embargoes or unrestricted exporta-
tion.

The erection of a permanent information
bureau with branches in foreign countries.

Making proposals concerning tariff and
premium inducements.

Mediation between officials and industrial
enterprisers.

The maintenance of German export products
on a firm competitive footing in the matter of
price.

Collaboration on the trade journal.

To safeguard the supply of raw materials
which cannot be procured within German

territory is absolutely essential in maintaining the independence of German industry and at the same time in strengthening the German export trade. Difficulties of the kind such as arose temporarily in the procuring of raw materials during the early days of the war must be impossible in future. And the same is true of manipulation of the prices of raw materials which German industry cannot do without—a practice that borders on usury. A well-conducted division of raw materials in connection with the commercio-industrial federation will form the best means of protection against occurrences of this sort.

THE DICTATOR OF THE WORLD'S PRICES

This division has first of all the task of bringing about production of these forms of raw material which were previously obtained from abroad. On the basis of import statistics are to be ascertained the yearly amounts of individual raw materials used in Germany. Supplementary statistics which will work against usurious price-manipulation should show the prices of these raw materials in recent years, the dependency of prices upon the fluctuations of the market and the season

of the year, and the influence of combinations in determining prices. These statistical statements give ground for accurate conclusions concerning the dependency of certain German industries upon foreign countries and upon the foreign factors influencing the prices of raw materials. They make it possible to ascertain the yearly minimum amount of individual raw materials, which must be absolutely guaranteed by the commercio-industrial federation. It is a matter of minor importance whether this guarantee is carried out in the form of direct purchase or of middle-dealing or of a priority right of purchase. It is, however, especially important to provide that the yearly minimum amount is on hand in Germany at all times; in other words, that the impartial filling of all orders is assured.

If the commercio-industrial federation takes care of satisfying the entire demand for raw materials, speculators will be eliminated from the start. In any case, at least in Germany, the State should prevent price-manipulation of raw materials which are essential to the vigour of the export trade. The middleman cannot expect consideration when his interests conflict with those of German industry. A central office for supplying raw materials,

which aims not for profit but for the strengthening of industry, will surely be given helpful assistance by the State through customs- and freight-concessions. These concessions are such as will have an advantageous influence upon German export products in the matter of price.

As a working supply which must always be kept filled up on German soil, the commercio-industrial federation must insist at least upon the minimum yearly amounts of raw materials that have to be ordered from other countries.

It cannot of course be the duty of the commercio-industrial federation to provide each individual concern with raw material directly. To simplify industrial associations the necessary gross amounts, leaving to them the distribution among the individual manufacturers. In this way not only will middlemen be successfully eliminated but embargoes on manufactures can easily be carried out by cutting off the allotment of raw material. Other problems to be solved here will be :

Co-ordination of purchase.

The formation of a purchasing fund of the necessary amount.

Quotas to be contributed to the above by

industries dependent upon this supply of raw materials.

The adjustment of accounts carried by the federation with individual industrial associations, and by the latter with manufacturers.

The satisfaction of claims growing out of these accounts.

Compensation for injurious advances in price by remitting a part of the net production cost, thus enabling the finished articles to compete in price in the international market—assuming that the rise in prices is caused by combinations of business interests which are aimed, in the last analysis, against Germany's industrial export trade.

The commercio-industrial federation has the duty of regulating for the benefit of the export trade the price of raw materials, the height of which is dependent upon the will of foreign countries.

There are two factors which will aid in this regulation: first, the above-mentioned contributions to a purchase fund, for which of course all industries are to be called upon in a direct or an indirect way, if they profit directly or indirectly in the export trade through a moderation in the price of certain

raw materials; secondly, lessening of consumption. The more the consumption of raw materials decreases, the less becomes the demand for them, and the lower the price at which they can be procured. Decrease in consumption can be brought about fundamentally by two means: a change in manufacturing methods, and the use of substitute materials.

With the co-operation of the individual industrial associations the commercio-industrial federation can determine exactly which forms of industry are working with the raw material in question. By the help of the scientific and the industrial federation it will be possible to show certain industries new ways of manufacture which enable them to do without their customary raw material completely or to use it in a smaller degree. In this way it not only is left free for other industries but probably also becomes cheaper since the entire consumption of it decreases.

The more oppressing the dependency upon foreign raw material is found to be, the more will the commercio-industrial federation insist that the proper technical (scientific and practical) circles do their best to procure substitute materials which will shake off this dependency.

In most cases it will be entirely sufficient to obtain substitutes for individual industries alone, because the entire demand for the original raw material will thus again be decreased and an effective breach made in the dependency.

The commercio-industrial federation must push the work of supplanting foreign raw materials by domestic substitutes.

IN CHARGE OF THE WAR CHEST

Since the commercio-industrial federation is allowed the greatest range of oversight, it will be its duty to work out plans for the organization and administration of the various compensation- and guarantee-funds mentioned earlier, and to exercise supreme control over them. The commercial statistics, which ought always to be kept up to date by this federation, furnish it with the exact measure for determining the individual contribution and compensation quotas in question, for appointing the times for payment and repayment (of which mention was made above), and for designating the kinds of industry which are to be called upon to contribute to the funds, or which are to be compensated. For in the

current statistics of commerce every wave of market-fluctuation reveals itself to the expert in its very inception. The beginning of every steadying or weakening in prices allows itself to be seen, often indeed to be foreseen.

In these current statistics will lie the means of recognizing all the causes of change and of meeting them effectively, or in other words of turning them to advantage. The commercial statistics are the most delicate barometer for foreign measures friendly or hostile to our exports and for the strength of the effect of opposing measures. Upon both of these kinds of measures depend all changes in the indemnity and guarantee funds; by them the other federations are influenced in their activity, and manufacturing and economic measures are evoked, the effect of which finds expression again in these statistics.

The administration of the funds provided for the protection of the export trade is left to the commercial federation.

THE ESPIONAGE HEADQUARTERS

Some of the many factors which influence industrial exports are: the opening up of new finding-depots for raw materials in foreign

countries; the increase in raw-material consumption in other countries; the use of raw materials in foreign countries for other purposes than common heretofore; the replacement of them abroad by substitutes; the introduction of lucrative manufacturing methods; the practical adaptation of new scientific inventions in foreign industry; the imitation, circumvention, or overtaking of German inventions which are important for the export trade; the issuing of special directions for supplying and using goods (directions for setting up mechanical appliances); the establishment of certain minimum technical standards for raw materials and finished products; regulations concerning packing, concerning the use of patterns, concerning changes in custom arrangements and results of competition in other branches of exportation, and the causes of those results, etc.

German industries must, therefore, be constantly informed about such facts as these, and speed in rendering the information will be of great value. The relationships and means of communication which must be at the disposal of the commercio-industrial federation in foreign countries will enable it to make these observations early and to transmit them to

the interested parties. It is self-evident that for this purpose the industrial federation will not only try to enter into official relationships and those of a semi-official nature, but that it will devote special care to making sure of private connections which have a deeper insight into the special conditions of each case. Our foreign representatives, travellers abroad, the governors of foreign branches of our transportation companies, etc., will perform good service as sources of information. It will be the duty of the commercio-industrial federation to use certain printed forms so as to make the information service facile, regular, and, as far as possible, automatic. It must collect the incoming reports, and revise and speedily transmit them to the interested parties. Facts to be gained from our statistics will help to complete such reports.

All changes in conditions abroad which affect our industrial exports are to be observed by the commercio-industrial federation and brought to the cognizance of the interested parties in a practical and useful form.

THE MEN BEHIND THE GUNS

By this activity there will be collected in the archives of the commercio-industrial federation

a rich quantity of material that will bear upon all questions concerning the export trade. This material in many cases can form a basis for, and a guide in commercio-political affairs. Precautions of an entirely practical nature, in the form of commercial treaties or amendments to them, will be framed upon the ground of the experiences collected by the commercio-industrial federation, and will make it possible to assist our state missions abroad with advice and help in treaty negotiations as well as in doubtful individual cases. We shall have to consider whether it would not be advantageous to create a direct and permanent connection between the federation and the commercio-industrial representatives of the state missions abroad. Both parties, and the export trade particularly, would be benefited thereby. The commercio-industrial representatives of our state missions abroad would by this arrangement gain a very direct knowledge of the necessities and wishes of the export dealers. These dealers would be encouraged in their activity by the consciousness of the presence of a support upon which they can always call for help. Between export theories and export practice will be formed a bridge promising mutual benefits which for

the present are still lacking. Many export industries can be given helpful assistance at the proper moment by a gentle and opportune political pressure on other countries, if the contact mentioned above between theory and practice is permanently maintained. The political pressure will be felt as a favour, if in support of it certain advantages for foreign countries can be offered, which will always be feasible through a close connection between officials and men of business.

The commercio-industrial federation should form a connecting link between commercial politics and practical commerce.

THE SUPREME COURT OF CREATION

The knowledge of all the conditions of exportation, and no less of the strength of its own position, will enable the commercio-industrial federation to allay quickly and decisively controversies arising between domestic and foreign producers and customers. To avoid tedious litigation the formation of a permanent court of arbitration for export affairs will recommend itself. All contracts for supplies to be concluded between our own country and others are to come before the

court of arbitration of the commercio-industrial federation as unappealable cases. This court might be delegated in cases of necessity to the foreign country in question. To banish as quickly as possible all points of friction which disturb the export trade must be a primary duty of the commercio-industrial federation. The foreign customer must have a feeling of assurance that in the court of arbitration he will find absolute protection against infringements of his rights; the domestic manufacturer must know that it protects him against arbitrary vexations from abroad. In order to remove all suspicion of favouritism from this court, it will be well to include in it in all individual cases a representative of the proper foreign industrial association.

Controversies which arise in the export trade are to be settled summarily by a court of arbitration which forms an integral constituent of the commercio-industrial federation.

LAUNCHING THE PROPAGANDA

Foreign countries should be acquainted as quickly as possible with the general make-up and efficiency of every new improvement

which finds a place among our exports. Means of introducing it which will here perform good service are the press propaganda, upon which there will be further discussion later, the opening of sample displays, and the organization of mobile exhibitions.

It must be admitted from the very first that the accomplishment of this task, amid the probably very strained relations which are to be expected after the conclusion of peace, will encounter great difficulties. These, however, must not be permitted to restrain us from going ahead with the necessary preparations in good time. All the hatred of foreign countries cannot deliver them from their needs and necessities. This fact can be safely reckoned upon. The former foreign customer of German products in his own interest will strive as soon as possible to make new connections which will restore his business to a prosperous footing. For its sake he will temporarily forget his hatred to Germany. First of all he will have to get his bearings after such a long interruption in business. It therefore seems well to start sample-displays and mobile trade exhibits for the present in German or neutral territory. They will keep the foreign customer posted, and later, when enmity has

sufficiently subsided, they can be continued aboard.

Industrial goods of the same or related kinds ought to be united. All ornamentations must give place to actual merit. The materials and their make-up must be the inducement. Our present enemies will probably order from Germany, for the time being, only such products as they can get in no other way. Our plans must be based upon this supposition. Sample displays and mobile exhibitions are therefore, for the present, to be supplied only by such industries as can count with assurance upon exports to foreign countries immediately after the conclusion of peace. In order to transfer interest by degrees to other articles of export, it will be advantageous to include in these displays and exhibitions the products of related or auxiliary industries, and in the course of time to extend advertising slowly in such ways as this until the moment has come to transfer it directly into foreign countries. In order to avoid difficulties and friction and not to burden our state missions unnecessarily with intervention, this advertising ought not to be conducted by individuals or by individual industries associations, but by a body which has the recognition of the

government and of industry, by a single agency.

For this purpose the commercio-industrial federation is best suited. The more individual interests are eliminated in these demonstrations, and purposes of instruction are given prominence, the more surely can success be anticipated. The opening up of commercial connections will come naturally from this advertising. They will and must be evoked solely by the command of necessity. The commercio-industrial federation will take up all the questions of interested parties, will pass them on to the proper industrial associations for solution, and will transmit the answers to the inquirers. In a similar way, for the time being, orders and deliveries will be handled by this federation in order, at first, to dispense with personal contact between former enemies. In the course of time this contact will come of itself to appear desirable and the federation will then be relieved of this burden. The restoration of interrupted commercial relationships requires painstaking tact, because at first one must reckon with an emotional attitude which unfortunately is incalculable. Here a disinterested agency does better service than individuals who are looking out

only for themselves and not for the general welfare.

The commercio-industrial federation will have the duty, with the help of sample displays and mobile trade exhibits, of effecting the reopening of commercial relationships with other countries, and of making these secure in such a way that they can later be extended by the individual manufacturers.

THE LISTENING POST OF KULTUR

The commercio-industrial federation will compile statistics of the export trade, independent of the government's statistics; the guide in drawing them up will be their immediate practical applicability. The commercio-industrial federation will gain a better insight into the practical business of industrial exporting than the state officials. It will at all times observe the up and down movements of export quantities in detail and will more quickly comprehend and recognize the inclinations of foreign customers and therefore will be soonest in the position to discover means for throttling dangerous influences at their very beginning. The application of these means is the business of the state authorities,

and to the latter the commercio-industrial federation should present suitable proposals concerning the nature, extent, and duration of these means. Since, again, their effect will be recognized first by this federation it is possible for it to suggest to the state authorities the instant at which measures in operation are to be annulled.

The commercio-industrial federation is to serve as a feeler for the state authorities when it comes to adopting measures to boost the export trade.

As organs of this "feeler"-activity will be used the branches of the commercio-industrial federation engaged in work abroad. The latter might at the start be loosely associated with the commercial staff of the state missions abroad. They could be separated and made independent representatives, as the healing of mutual relationships takes place. These representatives will of course remain permanently in touch with the missions, as has already been indicated, and will serve them in the same way as "feelers" and sources of information, just as the federation does for the proper government officials at home. These branches also institute and direct the courts of arbitration, engaged abroad. They form the offices of the federation for collecting

information and the executive organs for its directions. Similarly they serve as bureaus of information for our citizens and foreigners—for the latter directly, for the former indirectly—through the federation to which they are subject. They furnish mediation and support in trade between German concerns and their customers abroad; they give instruction concerning customs and tariff conditions and price movements. In a word they are pioneers who have to reopen the commercial highways destroyed by the war. They will furnish to the federation periodic reports concerning commercial conditions and the factors influencing these in the countries in question. Such reports are to be published in the general trade journal.

The re-establishment and maintenance of commercial relationships will be advantageously cared for by branch establishments of the commercio-industrial federation which should be permanently located abroad.

THE AUTOMATIC COLLECTION AGENCY

The mercantile federation will have the primary duty of adapting former business usages to the circumstances changed by the war. In particular the modes of accounting,

of invoicing goods, and of payment must be subjected to a thorough-going renovation. The experiences which have been gained with outstanding accounts in hostile countries warn us to be on our guard, and to make a change in mercantile business practice in order to prevent similar very detrimental occurrences in all the time to come.

The most flourishing export trade becomes worthless if collections are even in the least endangered. We should look into the question as to whether it might not be advisable for the sake of precaution to institute a Central Clearing House which will make it possible to cancel on the books the total amounts due on exports and on imports in such a way that the money payments in either direction reach only the remainder. In terms of business practice, this means: The claims of foreign shippers upon German customers will be settled by the obligations of foreign customers to German shippers being endorsed directly over to the Central Clearing House. Unpaid accounts due us from foreign countries will in this way always be small. The danger of loss from a fall in the rate of exchange is lessened. The security of collections is increased. The German exporter is protected

since the payment office is a German one. He will be saved losses of interest if foreign claims upon us and obligations to us are at an equilibrium, and accordingly can be balanced off immediately by the Central Clearing House in the foreign country. Payment is provided for, since the importer settles with the Central Clearing House. The mercantile federation will erect branches abroad for this purpose which will be housed in the same quarters with the branches of the other federations to make intercommunication easy.

A problem of the mercantile federation will consist in guaranteeing and lessening outstanding accounts due us from foreign countries. It will be solved by cancelling, as far as possible, the claims of other countries upon us by their obligations to us. That will be done in the foreign land itself by clearance, or, in other words, by endorsing over the bills of exchange.

A more detailed description here of payment methods would lead us too far. The balancing can be done directly with the help of the financial federation, or indirectly by foreign customers handing over to foreign shippers their obligations to pay—(bills of exchange and so forth). Since the value of such commercial paper depends upon the credit of the

maker, it will be necessary for the mercantile federation to establish an information office which will be free from the shady features of private information offices to-day. The mercantile federation is to protect the German exporter from loss by placing at his disposal truthful reports concerning the solvency of foreign customers. For its own protection, the federation will stipulate that it only guarantees the collection of claims upon foreign customers when the solvency of the customer was confirmed by it before the conclusion of the transaction.

In order to bring in a little money so as to balance its books, the federation by a reverse process will furnish to the foreign shipper equally faithful reports concerning the solvency of German importers, and in that way will gain the confidence of the foreign business world. At the same time, it will also make personal contact largely superfluous—a valuable service in view of the feelings which must be expected. Absolute and fully warranted confidence must take the place of the warmer emotions that can scarcely be looked for in the years immediately ahead. The mercantile federation will form the path by which such confidence can come.

The mercantile federation will serve as an information office for the solvency of the business world connected with the export trade.

In conjunction with the associations of German merchants, the mercantile federation will work out business standards which are adapted to the new conditions and the various branches of commerce, and which are to be observed in business dealings with foreign countries.

Some lesser duties of the mercantile federation will be: representing German firms for the time being in business abroad; recommending foreigners for employment as agents; submitting reports of foreign markets; representing German firms before foreign officials in business litigation; maintaining a legal bureau with a staff of lawyers and business men for work on foreign cases; collaborating on the general trade journal.

THE MONEY KINGS' CAMPAIGN

The financial federation, which likewise will employ foreign branches in its work, should be assigned the following duties of first importance:

Transactions in actual money as directed by the mercantile federation.

Collection of money from, and payment of money to, parties concerned with the compensation- and guarantee-funds, and entitled to support from them.

Administration of these funds.

Collection and disbursing of royalties for the use of inventions, according to earlier explanations.

Entire financial administration of all the federations.

Creation and support of a special industry fund which is to be used for temporarily reinforcing weakened industries, in the interest of the export trade.

Financial control of the associations for raw material.

Prevention of the exploitation of financially weak industries by grasping capitalists.

Finally, a share in supervising the influence which foreign capital exercises over important protective industries, or strives for.

It is readily to be supposed that the financial federation will perhaps expand by degrees into a bank for the manufacturing export trade, and that in it lie the possibilities of a German Export Bank on a grand scale, which will represent not the special interests of one

industry, but the general interests of all German industries. Since this bank can find a sound basis only in the mutual interest of all industries, it will be able to offer special advantages and security to all manufacturers who are concerned in the export trade. Its relation to banks already in existence is made clear by these considerations.

To the financial federation falls the duty of controlling all financial operations which are necessary for increasing industrial exports ; it forms a foundation for the general German export bank of the future.

A STUDY IN SCARLET. THE PROPOSED
TREATIES

Preceding the Export War, the German plan contemplates laying a monumental foundation for the siege guns of commerce with the peace treaties. Blandly stating that they will be dictated in Potsdam and written in blood, they have tabulated their " minimum demands." These will impose upon the United States and all creation the conditions that the Prussians may select their own properties in our country and operate them under Imperial jurisdiction ; that their officials be stationed in Allied territory to punish anyone refusing to buy their goods ; that we give bonds guaranteeing their enforced investments and accounts, and that we purchase from them exactly the amount of all their exports which they shall command. And they add that they will " consider whether it is not well to demand exclusive favouritism of Germany in this point or that, or in all " !

CHAPTER ELEVEN

A STUDY IN SCARLET. THE PROPOSED TREATIES

Blood and Bombast—The Kaiser's "Minimum Demands"—The Exclusive Favouritism of Germany—Unlimited Right to take Allied Materials—German Supervision in Allied Countries—Control of the Allied Freight Rates—Punishment of Hostile Boycotters—Restoring the "Stolen" Patents—Allied Guarantees against "Insufferable Discrimination"—A Warm Welcome for the "Federation."

7. COMMERCIAL TREATIES

INTELLIGENCE, hard work, and organization have raised Germany's trade to an elevation which was followed by her enemies with increasing envy, and at last with alarm. All means admissible in peace were brought into play to stop this upward sweep. Through German resourcefulness and German initiative they came to naught. German technical skill emerged in all respects victorious. Every new obstacle, in the form of commercial treaties and their supplements, which was set up abroad against its victorious progress was

overcome and banished by the increased and successful application of mental power. When all efforts at repression, in the form of commercial treaties, had shown themselves vain, they seized the sword and cleft the commercial treaties, purposing to dictate, in blood, new ones which should sever the vital sinews of German exportation. It has turned out a bit different from what the shrewdest of the shrewd had planned. In one point they were right. The future commercial treaties will be written in blood. German might and German justice will stamp and seal them.

THE KAISER'S "MINIMUM DEMANDS"

The fate and fortune of our industrial exports hang upon the coming trade agreements. These will show very plainly whether German industry has learned the lessons of the war and the years preceding. The experiences then gained show, as has already been pointed out, that international treaties are only partially reliable. To reckon in future upon the security of treaties, to build upon loyal observance of them, would be more than improvident. Security, as before, must lie in the power of German industry. The commercial treaty in the immediate future

must be looked upon only as an attempt to define, as exactly as may be, the possibilities and opportunities within the reach of exportation—as a standard for deciding upon means of transit through, and trade with countries, or as a category for all obstructions to development which are *not* set up officially by foreign countries against the German export trade. He who sees more in it for the present, sees too much.

The foregoing discussion contains in principle all that we must demand of the future commercial treaties in the interest of our industrial exports, namely :

Assurance of a supply of indispensable raw materials at reasonable prices, not jacked up by either the country consigning the goods or transporting them across its territories.

Prevention of import or transit duties which would be oppressive to our exports.

Prevention of tariffs which are onerous in comparison with those charged other countries.

Inadmissibility of foreign export-premiums which are injurious to Germany's export trade.

Obligation on the part of the foreign country to suppress every boycott movement against German products.

Assurance of the inviolability of German intellectual property and of German trade-marks with a retroactive guarantee, extending back to the time of the origin of the property right.

Admittance of German competitors to official competitions and to the bidding for government contracts, when other foreign competitors are admitted.

Assurance of fair contract awards when German bids are superior in specifications and price to others.

Granting of all concessions to German manufacturers which are given to other foreign concerns.

Protection of German branches and representatives abroad in equal measure with that assured to other foreign countries.

Official recognition of the five federations named above, and their branches abroad.

Terms governing compensations and embargoes.

Full equality for German undertakings and capital engaged abroad, in comparison with those of other foreign countries, respecting taxation and other levies.

Inadmissibility of any sort of favouritism of citizens of former allies, so far as the

German export trade could be injured in this way.

Security of capital invested abroad, and of outstanding accounts due to us.

THE EXCLUSIVE FAVOURITISM OF GERMANY

It must be emphasized that the above are only a selected few from among the points which suggest themselves in this connection, and that they represent *minimum demands*. The representatives entrusted with working out the foundations of future commercial treaties will certainly consider whether it would not be well to demand exclusive favouritism of Germany in this point or that, or in all, considering the levity with which this bloody war was forced upon Germany, and the sacrifices she has had to make.

UNLIMITED RIGHT TO TAKE ALLIED MATERIALS

If the raw-materials division of the comercio-industrial federation wishes, as was explained earlier, to remove all uncertainty about the supply of raw materials which have to be ordered from abroad, it must be sure

that the foreign states it relies upon do not place in its way obstacles of any sort which might bring with them injurious advances in price. Before all else a restriction in quantity must be out of the question. That will be attempted in the case of raw materials for the protective industries. Having provided against this danger, it must stipulate also an unlimited opportunity to acquire the sites needed for winning of raw materials and an unlimited right to get them out by German enterprises. It must preclude any further restriction by providing that these enterprises cannot be bound to sell any amounts of these raw materials in the country where they have gained them, nor to use them there in manufacture or any other way. The government of the country in question can be permitted to exercise its right of requisitioning them only with the consent of the proper German officials. To guarantee the fulfilment of these demands certain pledges must be given.

The commercial treaty must assure an opportunity to procure unrestricted quantities of raw materials in foreign countries, and to export them without restriction to German territory.

GERMAN SUPERVISION IN ALLIED COUNTRIES

The German export trade in the interest of its efficiency must be able to reckon upon full uniformity in certain respects, with the limits suggested below. The raw materials which its protective industries need must always be on hand in sufficient quantities. Just as, on the one hand, it is inadmissible to exploit natural resources uneconomically for capitalistic interests, so, on the other hand, the amount of raw materials turned out can never be permitted to be decreased artificially because of a selfish desire to charge a higher price, nor can their quality be reduced. Hostile countries have no interest in opposing such pernicious practices, which would hurt only our export trade. It is, on the contrary, to be expected that they will secretly encourage them. Therefore it must be made possible for the German government to interfere without foreign countries protesting that their sovereignty is violated. The possibility or probability of friction over this point must be removed beforehand through the commercial treaty, by granting to the proper German authorities the same rights over German concerns abroad as they have over domestic

business. Since these rights are largely of an industrial nature, no opposition can very well be made to their establishment by treaty.

Germany must have the right of supervision over German plants abroad for supplying raw materials to her protective industries, at least in reference to their operating processes and the nature of their work.

CONTROL OF THE ALLIED FREIGHT RATES

It will not alone suffice to demand unlimited opportunities to secure raw materials in foreign countries for our protective industries, for, by the time they reach Germany, their prices may have been raised to inadmissible amounts by export- or transit-charges, freight rates, the refusal of export premiums which are granted to other foreign businesses of similar kind, and by other petty forms of chicanery, the consequences of which are oppressive (for instance, a refusal to build connecting railways, or to recognize the expropriation rights of German enterprises, etc.). The commercial treaty must place an absolute bar to such arbitrary advances in the final prices of raw materials, which would render difficult the work of German industry and would put

the export trade under a disadvantage in the prices it could charge. That treaty must likewise be a bar to any discrimination in favour of other foreign industries when concessions are being granted. The retaliatory measures to be applied in case of infringement must be determined upon beforehand with all severity, in order that every attempt of foreign powers in such directions may be nipped in the bud, for reprisals are only successful when their effect is keenly felt.

The commercial treaty must make it impossible beforehand to damage German business in raw materials abroad by manipulating prices.

PUNISHMENT OF BOYCOTTERS

In recent years boycotts have been frequently enforced against foreign articles and businesses under the cloak of nationalism, while governments silently encouraged or acquiesced in them. Fear of retaliatory measures will prevent states hostile to our exportation from officially or even secretly supporting boycott movements of this kind, which are one of the factors with which the German manufacturing export trade must surely reckon in the immediate years to come.

We cannot, however, be satisfied with a merely passive attitude on the part of foreign governments, for it does more damage than can be permitted. Provision must be made in advance that foreign officials employ all the force at their command against the originators, promoters, and participants in boycotting movements which injure our export trade, and that in such cases the German government have the right to be consulted, and to share in deciding the measures of opposition.

We can imagine a case where sabotage, silently acquiesced in on the part of officials, is carried on in those industries which serve to procure raw materials abroad for German protective industries. Again, we can imagine a case where, under the harmless fiction of collecting statistics, German goods are labelled by the officials so that their German origin may be particularly noticeable, and boycotts or other injury may thus be incited. We can imagine a case where the same or similar products of non-German origin are given the right, or are silently permitted to choose distinguishing marks which especially emphasize their non-German origin. We can imagine a case where, under an apparently harmless pretext, non-German products are

granted financial concessions (subsidies, import premiums, etc.), for the purpose of destroying the competitive ability, in the matter of price, of products coming from Germany. The simplest German measures of retaliation would consist in granting products threatened in this way export premiums that are enough to make up the difference. This means is not to be recommended, out of regard for the state finances; rather it must be stipulated by treaty that all foreign concessions which could influence prices must be granted without exception to German products also.

The commercial treaty must provide for protective measures against boycotts of German products and whatever would put them under a disadvantage in price.

RESTORING THE "STOLEN" PATENTS

A striking proof of the kind of motives behind this bloody war is the action taken by hostile countries with reference to patent rights—declaring the creations of German intellect and German science property without an owner. Since they could not reach the heights of German creative ability, thievery

of intellectual property was sanctioned by law. The remedy was extremely simple and worthy of Germany's enemies. The results of a half-century of intensive intellectual activity became free robber-booty. This spoliation, nevertheless, had its good side, for under its pressure, as German patent literature shows, undreamed-of improvements and inventions were brought forth, and numerous important industrial innovations are in preparation. The future commercial treaty will not only see to it that the stolen rights of ownership are restored to their formal owners unimpaired, that full compensation is made for the financial loss incurred up to the time when the property is restored, and that a priority right in hostile countries is assured to the German patents awarded during the war; but the treaty must also make certain that special statutory measures make occurrences of this sort impossible in future. Similar precautions are to be taken in the interest of German trade-marks.

The commercial treaty must safeguard the intellectual property rights of German industries in greater measure than previously, the guarantee to extend backward to the time of their origin.

ALLIED GUARANTEES AGAINST "INSUFFERABLE
DISCRIMINATION"

The uninterrupted maintenance of German industry during the war, the activity of which in certain respects actually shows an advance over the times of peace, is for Germany's enemies an extremely unpleasant surprise. However, in spite of the hostile attitude of her enemies, it assures her the probability that, in indispensable products, her industry will be patronized abroad on account of its intactness and efficiency, but only in cases where other producers cannot be found who can deliver the same goods within the same time. In other cases it must be expected that German technical skill will be excluded from supplying our present enemies. Such a condition as this would be insufferable. It must be prevented from arising. The commercial treaty must stipulate that German shippers be eligible wherever foreign material and foreign workmanship are patronized at all. It must be absolutely impossible for manufacturers from countries now allied against Germany to enjoy, under any form or pretext whatsoever, a preference in competing for state work. Protection must go so far that

domestic manufacturers of the country in question who order foreign material are not permitted to exclude German articles.

But no confidence can be placed in paper concessions alone. On the basis of statistical data, we must specify the proportion in which German products have to be included in official consignments from foreign countries, no matter whether the delivery be made directly, or through the medium of a domestic dealer. Purchases according to this proportion must be guaranteed by the State which is a party to the treaty. The objection will then be made that such a demand is an attempted intrusion upon the sovereignty of the State. The patience of Germany before the war was stretched farther than was really well; it was exercised only to keep the peace. We have gained nothing by generously yielding a point time after time, instead of insisting upon our rights.

“Equal justice for all!” must here also be the watchword. But because justice is a term which can be all too easily bent to suit one’s purposes, as the most recent past teaches, it must be made a matter of figures and put down in black and white. The duty of the guarantors will be to see to it that the pledged

security goes unforfeited because the guarantee is fulfilled. After the war also, the German export trade must insist upon finding among its present enemies the market which belongs to it, according to the rights of the past, and the degree of its efficiency. It must insist that it be not discriminated against in favour of other foreign competitors, that at least its former percentage share in the world market be guaranteed, and that this share shall be enlarged in future in proportion to the increase in the capabilities of German industry. As an integral constituent of the commercial treaty there must be an import guarantee given by the foreign power in figures for each individual kind of German industry (the figure understood as the percentage of German goods to all other imported goods of the same industry).

The commercial treaty must demand state guarantees that German goods be accorded as wide a range of sale as is justified by statistics and by the increasing efficiency of German industry.

A WARM WELCOME FOR THE "FEDERATION"

Without regard to the range of the officially guaranteed market, warrants must be given

that the private sales of our industrial exports be not restricted. Such a restriction can be avoided if German branches and representatives are not subject to any sort of exceptions, and if the freedom of movement guaranteed to all other foreign representatives and branches holds good for them also.

It is not necessary here to demand special preferments and concessions; equality in qualification is entirely sufficient. If it be granted, German diligence and German efficiency will take care that our industrial exports come to their rights in private trade also. But there must be an open door! If this demand is incontestably essential in the case of foreign branches of private industries, it must hold good in a still greater degree for the official representatives of Germany's technical industry, embodied in the five federations mentioned above, and in their foreign branches. The special protection itself which is to be granted to them brings great advantage to the foreign country in question, because they represent instrumentalities of mediation in the best (moral) sense of the word, because they render effective service to Germany's export trade only when they provide for a smooth settlement of *all* business affairs be-

tween domestic and foreign buyers and sellers, and because that country after all will be the gainer from such smoothly running business. It must also be demanded that these federations, since they themselves aim at and can gain no profit, remain free of taxes in foreign countries.

German branch-establishments and representatives in foreign countries must not be burdened by being singled out for special rulings and obligations.

To be always demanding and never giving in return is repugnant to German nature. It goes without saying that concessions representing valuable compensations will be granted to foreign countries which again renew unobjectionable commercial relations by treaty. In the interest of our own industrial exports we will not limit ourselves to granting certain customs- and tariff-reductions; we will go farther and grant import premiums to certain foreign products and manufactures, if the trade in them is suited indirectly to promote our export trade. These concessions are to be defined by treaty, just as the embargo rights.

The lessons of the most recent past make it necessary to demand a special guarantee

(with specific figures) for all capital invested in foreign countries, and all outstanding accounts, the guarantee being retroactive to cover amounts already existing.

The liability of foreign countries for German capital employed in them is to be carefully defined by the commercial treaty.

Every import concession granted by foreign countries must be effective for exports from Germany also.

THE DENATIONALIZATION DODGE.
AN ANTIDOTE TO HATRED

To neutralize hostility and allay the suspicions of allied customers, the advance guard of the German invasion will offer for sale only "Denationalized goods." They will appear to be "anonymous"—cosmopolitan. To maintain this disguise, the Teutons decree that everyone else shall keep their goods also free from mark or sign. Advertisements and shipments of these products incognito will appear to come from neutral countries, and will be spirited into our homes and our stores by clever actors sedulously made up to resemble our harmless neighbours. Even their correspondence, mimeographed in Berlin in Bostonian English, will bear a neutral post-mark and an impartial signature.

CHAPTER TWELVE

THE DENATIONALIZATION DODGE. AN ANTIDOTE TO HATRED

Commerce Incognito—The Strategy of Deceit—Outwitting the Allied Buyers—A Severe Lesson in Customs Procedure—Propaganda under Cover—A Flank Movement through Neutral Ground.

8. WAYS OF DENATIONALIZING GERMAN GOODS

GERMAN exporters must expect that, for a long time after the end of the war, German manufacturers will be outlawed among our present enemies. It would be idle to live in the opinion that peace will banish hatred at once. The latter must be reckoned with the German industry also. It will be well, therefore, to meet people half way, avoiding everything that might provoke national passions which are not yet lulled to rest. Victory in this conflict will be harder than with the sword, for the weapons to be wielded here are patience, forbearance, and often also the denial

of the individual "ego"—that natural pride which finds expression externally in the labeling of goods. Such mild tactics are sure to meet with opposition, but they must nevertheless be adopted, if we listen to calm reasoning and cold facts. Vanity—fortunately it is still in its infancy in Germany—must give place when the goal ahead demands it. What we propose is not a disgraceful sort of "hide and seek," but rather due consideration for conditions where sentiment is master. In this connection the reader is referred to the introductory remarks.

THE STRATEGY OF DECEIT

In the early days of peace the manufacturing export trade must have as its first commandment the following: The German "make-up" is to be avoided wherever at all feasible, without the intrinsic quality of German export products being allowed to suffer. This quality must not only be maintained, but also increased, for it is the backbone of the export trade, it is exactly the thing which is a thorn in the eye of its enemies. There is indeed the danger that foreign competition may find easier sailing because of our action, but this

competition must be reckoned as part of the bargain. If competitors turn out goods of the same intrinsic value, then German goods simply must be made better. The strenuous contest which thus results will be altogether good for the German manufacturer, for as the past teaches he knows no weakening. The intrinsic quality of exported goods must be typically German; their external garb, for better or for worse, will have to be anonymous—neutral.

Out of regard for the rehabilitation of trade with formerly hostile countries, the German garb of manufactured articles must be put away.

The “make-up”—by which term not only the packing but also often the style are to be understood—must for the present adapt itself exclusively to the taste of the customer even if a thorough-going change in the manufacturing process be thereby involved. Unfortunately the world judges first of all by the looks, and “German” looks in such countries will militate against the sale of German goods. Disavowal under such circumstances is required, it cannot be avoided. The German products controlling the world market were recognizable even from the outside by their make-up; this furnished people in general

with a guarantee of their intrinsic quality. German inventiveness will certainly not find it difficult to improvise new make-ups of such a nature that they quickly make a general impression, and again become a sign of intrinsic quality without being at the same time a characteristic German mark. This mark is inscribed in golden letters upon the book of history ; it must not vaunt itself on every wrapping. In the former it illumines vision, in the latter it so blinds the hostile buyer's eye that he no longer sees the inner quality of the article. The loss, then, falls to the German export trade, the profit to foreign competition.

OUTWITTING THE ALLIED BUYERS

The German trade-mark formerly performed good service abroad. Now it will be a token by which to recognize the former enemy. "Camouflage" in war is an important strategic method ; when opportunely and ingeniously applied, it increases the effectiveness of weapons. The application of this precept for the commercial struggle is as clear as day. The German trade-mark does not conceal, on the contrary it acts like a torch, it illumines

—the source! The article is recognizedly good, but the origin spoils the whole effect. Away then with the German trade-mark where it offends feelings which, though they are certainly unjustified, must nevertheless be reckoned with. Away with it where it brings loss instead of gain. Where the trade-mark is absolutely necessary to safeguard property rights, a foreign mark must be used in its stead; the increased expense incurred in this way is inconsiderable in comparison with the results achieved.

The German trade-mark ought not to be used at first in export-trade with formerly hostile countries; the same rule holds good in placing German patent stamps on the outside of goods.

A SEVERE LESSON IN CUSTOMS PROCEDURE

Too much stress cannot be laid upon the fact that is here fundamentally a question of precautionary measures exclusively, in order to avoid injuries to the manufacturing export trade.

If the German manufacturer with great self-effacement makes every requisite effort to banish sources of irritation, he for his own part has the right to insist that the govern-

ment of the hostile country does not work against him. Officers of foreign states, whether they be railroad- or customs-officials, can under no circumstances be permitted to label goods so as to disclose the place of origin. Nor can they be allowed to do this after laying down rules under a pretence of impartiality, to the effect that all imports are to be labelled in this way without regard to the particular country from which they come. It is clear that the indication of origin from a formerly allied country represents an official recommendation for the product in question, and that a rule requiring such a label in all cases has only the purpose of making German goods especially recognizable—to their disadvantage.

It is, however, not sufficient for the German manufacturer to gain his point, namely, that the goods coming from him need not be thus indicated. He must be inexorable in demanding that no recognizable mark of origin may be used at all on goods, without regard to the country from which they come. For the non-marking of German goods, as a right of exception granted to them (while other foreign goods are labelled) amounts in actual practice to giving away their origin. The path to foreign trade must not be beset with ambushes

of this sort, the possibility of which ought always to be taken into account. If peace is to be made, it must be a commercial peace also. Secret malicious weapons must be destroyed before their use—by force, if there is no other way.

No labelling of goods by the country of their origin can be permitted foreign officials against the will of the German exporter.

The German exporter alone will have the right to decide whether the origin of his goods is to be indicated; his order book will here determine his decision.

Of importance for the success of efforts toward denationalizing goods are, further, the skilful use of propaganda abroad, the proper selection of our foreign representatives, and taking advantage of closely related business circles in those countries which, during the war, have remained neutral *without wavering*.

PROPAGANDA UNDER COVER

“Propaganda which is to bring results must be aimed at the individual.” This sentence stands as the supreme law of all advertising means and methods. It is valid in an increased degree where one must reckon with people’s

feelings. In general the propaganda will strive to transform these feelings into favourable ones. Here where it is a question of carrying out propaganda in countries whose feelings in the first few years will presumably remain hostile to German products, this effort toward transformation must be abandoned because for the present it is hopeless. Rather we must strive to make the influence of such feelings secondary, placing in the foreground a recognition of the quality of German export products. Methods of propaganda which, however unintentionally, could possibly offend the national feeling of the customer must be most carefully avoided.

An example may make this point plainer: It is generally recognized that the impression produced by propaganda is strengthened by using tables of figures which afford an insight into the great output of the industry. In the case of a hostilely minded customer such means would be abandoned, for they give him an unwelcome view of the power of German industry, and they involuntarily give rise to unpleasant conclusions about the strength of his own country, and evoke the desire to contribute so far as possible by not himself increasing this quantitative efficiency of Ger-

many—in other words by purchasing nothing. It would be just as undesirable to adduce the usual figures of comparison with competitors of other countries, if the latter are allies of the nation to which the customer belongs, for he will see in such a comparison an attempt to detract from the worth of his ally.

The German export propaganda must guard against offending the national feelings of other countries ; it ought to be content with giving concrete and instructive information.

As for propaganda in general, so here, the principle holds good that all exaggeration and quackery are to be excluded, and that all efforts must be directed solely toward convincing the future customer of the intrinsic value of the goods introduced by the propaganda. Comparisons with the products of other firms—German firms included—are to be omitted absolutely. The consequences of a comparison with foreign firms have already been mentioned above. The consequences of a comparison with German firms eventually have not only an injurious effect upon them, but also upon our entire export trade. They give the impression that this trade does not always draw upon first-class sources. Such

damaging comparisons ought to be severely condemned even if they were framed for the sake of caution so as to be read only between the lines.

You never add to your own reputation by running down others. The foreign propaganda must be worked out in advance with special care, it must have a suggestive effect upon the recipient, compelling him, perhaps unconsciously, to calculate whether he would gain by purchasing the recommended articles. If they justify themselves in *his* calculation then he is sure to become a customer. If the efficiency of the recommended products is recognized, and their superiority, in comparison with that of other foreign products (even from an ally), admitted, then the propaganda has done its sole important duty; it leads to orders. Emphasizing the origin, as was said before, is of course to be avoided; the question is not "where from" but "what."

The propaganda abroad must have a neutral cloak, and must confine itself exclusively to proving the value of the recommended articles.

We must distinguish between printed, written, and personal propaganda. The order above gives at the same time the order of their application in normal cases. In the time

following the war this sequence must be inverted in the formerly hostile countries, for it is almost certain that foreigners, embittered by the events of the war, will at first throw every communication from Germany into the waste-basket. Another means must be used to regain attention for these communications. This will be attained only by degrees, and only by intensive personal influence. With this matter is bound up the question of the future organization of foreign branches and representations which likewise are to be used as means of neutralization.

An advantageous path for the future propaganda abroad can be found by starting from neutral territory.

A FLANK MOVEMENT THROUGH NEUTRAL GROUND

This compromise is proposed because we are not justified in assuming that in every individual case a citizen of the foreign country in question can at once be found, who is competent to represent German manufacturers satisfactorily. At least in the beginning foreign experts who are fitted for this work will shrink from taking a German agency.

There will doubtless be numerous persons abroad who would be ready to represent our firms, but who will protest that for the moment they could scarcely be successful with German manufacturers because they would run the risk of putting themselves in a bad light before their countrymen. Even the offer of steady compensation independent of first results might here not answer the purpose, even apart from the fact that there would be great danger of its misuse. A satisfactory compromise can be found by making the foreigner only indirectly an agent for his German concern. He would get his immediate orders through a neutral firm.

It must be admitted that a certain complication arises here; however, it can scarcely be avoided. One ought not to surrender himself to the optimistic opinion that it will be sufficient to erect a branch establishment in a neutral nation, and that the formerly hostile countries will be worked from this point. Success by this method seems pretty much out of the question, for foreign countries will investigate carefully and soon uncover the true state of affairs. There will be firms which keep trying to reopen their foreign (at present confiscated) branches after the war by gather-

ing a staff, inclusive of the directing officers, from the foreign country in question. It is to be feared that this makeshift will not at first bring success, any more than the foundation and operation of apparently independent foreign firms. The best remedy will always be found through neutral countries. The decrease in profits resulting from this use of intermediaries ought not of course to be made up by raising prices but rather by lessening the cost of production, since in every case superiority in prices must be preserved.

The reopening of export relationships with once hostile countries must take place through neutrals instead of through direct representatives as in the past.

This rule blazes a path to be followed in conducting propaganda. Again as before, its elaboration and organization will be left to the German manufacturer (provided he observe the points mentioned above), but it will be conducted entirely from neutral territory. The printed matter destined to promote our export trade ought accordingly to be worded and finished up in such a way that neutrals can make direct use of it. They will have to receive it and pass it on according to the system evolved by the German manufacturers.

The results of the propaganda, including the negatives ones, are to be transmitted by neutrals to the German concerns in order that the latter may themselves compile the necessary propaganda statistics, and learn from them the lessons.

To simplify matters, the epistolary propaganda will be drawn up in Germany, ready for mailing, and will be sent to the neutral power for further distribution. The orders coming in to the latter, whenever possible, will be filled directly from the German production plant, while the invoices fully prepared for the mails are transmitted to the neutral. The incoming payments pass through the neutral's banking connections to those of the German manufacturer. If import difficulties prevent the goods from being shipped directly, a route must be found through a neutral country. The neutral country will doubtless profit by this; this profit may neither be curtailed nor looked upon invidiously, for the neutral performs valuable pioneer service for Germany's industrial exports. He brings business to our manufacturers which otherwise would be lacking or at least doubtful. We must respect the rule not to begrudge another his gain when our own is sufficient.

It ought also to be remembered that neutral countries in a certain sense have had to suffer more through the war than the belligerents, and that for the latter they have performed valuable services, which demand recognition. This recognition can be evidenced all the more easily if in so doing our own advantage is served. In this discussion only those neutrals are meant whose neutrality was above all doubts, and who in maintaining it looked neither to the right nor the left.

The profit which neutrals make by acting as intermediaries is entirely justified, since it naturally carries with it profits for our exporters.

The management of advertising in foreign papers will be carried on through neutrals under the direction of the German manufacturer. Special attention should be paid to neutral trade journals which are issued in various countries. They represent excellent disseminating mediums not only for advertisements, but also for instructive information concerning new inventions and methods of applying them. Account must be taken of the fact that it will require a long time for technical journals published in Germany to regain currency and circulation in hostile

countries to that degree which is necessary for promoting our export trade.

Neutral trade journals represent an effective means for promoting the German manufacturing export trade.

If rightly managed, neutral agencies will, moreover, facilitate the supply of those raw materials which German industry needs from abroad. Just as direct trade with formerly hostile countries will meet with export difficulties, so likewise obstacles will be placed in the way of securing raw materials. They ought to be removed whenever possible without state assistance—which should be the last resort. Foreign countries will not hesitate to ship raw materials to neutrals without any burdensome restrictions, for what they are concerned with, after all, is a sure market. If they can secure one without getting into closer connections with the citizens of a former enemy, they will certainly welcome this solution of the problem. If a neutral power is used in eliminating the troubles of the raw-materials question, we will profit by the fact that accounts can be mutually cancelled through it, in the country where we buy and sell. The remainder due to us is therefore all that need be transmitted to Germany.

In war we recognize the advantages of domestic money not only remaining at home, but also circulating there; in peace times also we should try to preserve this condition as far as possible. This can be done if our exports exceed our imports (an aim we should keep always before us), so that the payment for our imports can be made by direct clearance in the foreign country in question. To facilitate this, it will be well to establish special neutral clearing offices for balancing (transferring) accounts.

Neutrals will perform good service in the procuring of raw materials, and in making possible an agreeable financial settlement.

**THE HEREDITARY WORKMEN OF
COMBINED INDUSTRIES**

The German confidence in the outcome of their ruthless cut-throat battle for the markets of the world is ultimately based upon a complacent assurance of their superior genius. They propose to reinforce this with a really formidable weapon—high speed and painstaking efficiency. All small traders and manufacturers are to be eliminated without pity. Production is to be mobilized in great Trusts and strictly standardized. The labour is to be permanent and hereditary. No man in Germany will be allowed to conduct a plant unless he adopts the military regulations defining efficiency. And incompetence and failure will be marked down for the wrath and annihilation of the State. Efficiency is not only to be taught and studied, but commanded.

CHAPTER THIRTEEN

THE HEREDITARY WORKMEN OF COMBINED INDUSTRIES

The Ban on the Small Business Man—"Permanent" and
"Hereditary" Labour—The Crime of Incompetence—A Drastic
Remedy for Bargain Sales.

9. COMPETITIVE ABILITY

RAW materials and industrial products can count upon sale if their usability and effectiveness keep pace with that of others in the market. They will supplant the latter if they are superior in quality and if, at the same time, their selling price does not exceed the market price.

Considering the obstacles, mentioned earlier, which can be placed in the way of our export trade in future, and which must for the most part be expected, we must under all circumstances avoid handicaps in construction or price that could injure our sales abroad. All products of German manufacture destined for

export must be able to compete in the matter of technical workmanship and price.

No special discussion is necessary to show that the manufactured products of the great German industries answer in the main these two requirements. In future, however, our export trade must count on the lively participation of our middle and smaller industries. A compromise can perhaps be found by forming for the individual branches of industry, export associations which will handle orders within this country, and likewise act as exporters. Their producers will be the middle and smaller manufacturers. By uniting many small industrial forces under a single hand, an efficient export concern will be formed which can follow the same paths as the great individual firms. Only when all forces—even the smallest—co-operate will our export trade reach a size which corresponds to the efficiency of German industry.

In this effort, however, it is undoubtedly necessary for the middle and smaller industries to follow in their work the same principles as the great industries.

“ PERMANENT ” AND “ HEREDITARY ” LABOUR

The middle and smaller industries should confine themselves to as narrowly limited branches of manufacture as possible, and should give up producing all the necessary parts themselves. The greater the number of these parts, the more mechanical energy and capital resources are split up and spread out. The principle of a division of labour, which bears such splendid fruit during the war in Germany, ought also to be adhered to in time of peace. The smaller the number of different parts to be manufactured, the easier it will be to train an hereditary, highly specialized line of workers, and to keep and employ them permanently.

Since all intellectual and mechanical energy is applied to the mastery of fewer processes, it is to be expected that the technical perfection of the products will be as great as possible. The smaller the number of different parts to be produced, the fewer will be the kinds of machinery necessary for the work, and the less, therefore, will be the capital required. The expense account will have smaller interest payments to make, for the amount of capital needed is largely determined by the floor

space and equipment. Supervision of work becomes a simpler matter, the organization is easier to control, the precision of the work can be regulated with fewer instruments, all in proportion as the range of manufacture is limited. In place of a great deal of minor work, there will be a single specialty to which all efforts are devoted. All these directions are aimed at placing the middle and smaller industries in a position to produce articles which cannot be surpassed in technical workmanship.

If this direction is followed out, the capacity of the plants will automatically become very high, and will increase as the number of different materials and finished products is cut down. Just as the separate divisions of the great industries work hand in hand, and to a certain extent represent within themselves producer and consumer in mutual co-operation, so the middle or smaller manufacturer must work. He must think of himself as the head of a division, engaged exclusively in the production of a certain kind of goods which are closely related to the products of other manufacturers (imaginary divisions of industry as a whole).

Superiority in the construction and price of

German industrial products over those of foreign competitors is a pre-requisite for the prosperity of the export trade.

THE CRIME OF INCOMPETENCE

It seems necessary to call attention to an undesirable class of individuals who were only half-heartedly opposed before the war, but who now ought to be ferreted out relentlessly. Manufacturers who lack the necessary talent for organization, who give too little attention to accounting, and who start a business with insufficient means, really come in the category of production costs, which make co-operation against foreign competition impossible. Worthy understudies of theirs are to be found in those enterprisers who by failing to understand the market, or in the stubborn purpose of creating a favourable market artificially, increase their output to a degree that is entirely out of proportion to the demand. To both sorts of enterprisers comes the instant when they must dispose of their goods at any price, in order to be able to meet their further obligations, or in order to get new working materials. Generally they will not wait for the perilous moment to come, but

will already have planned how to get their products into the hands of the customers. Experience shows that they get rid of their goods by price-cutting, and by offering them far below the market.

A DRASTIC REMEDY FOR BARGAIN SALES

In our future trade with old enemies, such individuals will cause immense loss. As it is essential to the export trade that we always be strong competitors in the matter of prices, there is a minimum figure set by the limit of profitableness, which we can never allow to be passed, if the continuation of the industry is not to be endangered. Every transgression of this limit brings others after it, and hastens the coming ruin. Foreign countries become suspicious when German articles of the same kind are offered to them at widely varying prices. They begin with right to exert pressure on prices in general, in order not only to get cheaper goods but also to injure German industry and, with it or through it, the German industrial trade. As soon as price-cutting has or threatens to have consequences which could injure our export trade, the practice must be stopped by an exercise of

state authority, or by the remedies within the hands of the industrial associations.

The competitive ability of German industrial exports in the matter of price must not be reducible to the point of slaughter prices.

THE CURB ON CAPITAL

Assuming the rôle of the supply train, the bankers and capitalists of Germany will henceforth supply their golden ammunition to German commercial units only. The High Command in Potsdam, perceiving that the Entente has no more moral regard for property than to seize German accounts, has decreed that henceforth no German money shall be invested except in German industries, and in those outposts of the advancing German export trade which directly profit in the commercial war. And this plan further contemplates two other rigid limitations upon all banking. That no allied capital shall ever find its way into the "Indispensable Industries" of Germany, and that for a German banker to refuse a loan to one of these "offensive units" is strictly "verboten."

CHAPTER FOURTEEN

THE CURB ON CAPITAL

The Kaiser's Complaint :—The Predatory Allies violate Private Property !—The Evil Influences of Independence—The Blessings of Financial Bondage—German Money for Germany—Relation of Investments to Invasion.

10. CAPITAL

THE results of our entering into a state of war were very destructive for German capital engaged in enterprise abroad. It is to be hoped that we shall not forget that lesson when peace is restored. However great the damage may be, it can be forgotten and repaired if in future the German capitalist will constantly bear in mind the fact that circumstances may arise where our capital in foreign countries may be entirely outlawed. The enemies of Germany who have simply thrown overboard all traditional conventions and law did not delay a moment on the way which, to use the mildest expression, led to violation

of private property rights. Of course we cannot and should not require capital to be withheld absolutely from enterprises abroad; but experience teaches that among foreign enterprises we should carefully distinguish between those under foreign and those under German management, between those advantageous and those detrimental to German industry, those working for it or against it, and those which represent its allies, or its competitors. All German capital which is invested in foreign countries must be sure not only of being returned to Germany in its cycle, but also of constantly having a stimulating and beneficial effect upon German industry.

German capital in future is to be invested only in work under German directors, and even then not in foreign countries unless it brings benefit and support to our industrial export trade.

THE EVIL INFLUENCES OF INDEPENDENCE

Certain financial and banking circles will surely take a position against this requirement. These circles are not at all interested in serving the common welfare first and then the safety of the capitalist, but rather in reaping the

highest profits possible from their investments. In recent years there has already been on foot a precautionary movement against the flow of German capital into foreign countries; there has as yet, however, been no recourse to decisive measures. To the expert who understood financial conditions it was most depressing to see our own German capital lured abroad by high-sounding promises, often when that meant "good-bye for good," while at the same time German industry often had to go into foreign countries in order to get together the capital it needed—at a heavy sacrifice. A large number of German undertakings which were founded in recent years fell through after a comparatively short time, the failure in its mildest form leading to a pooling of the capital stock. The reason was perhaps not so much that their foundations were rotten, or that the officers in the producing or selling end of the business lacked expert knowledge, but was solely that the financial sacrifices which had to be made beforehand to secure capital abroad were so heavy that they consumed not only profits but capital also.

The short-sightedness of many industrial circles in Germany is really incomprehensible when one considers that any control over

capital which has gone abroad is almost impossible, while control over that invested in domestic industries at home is at all times possible. The introduction of foreign capital into German industrial enterprises represents under some circumstances a source of danger for them and the export trade, which could certainly be avoided if we could get rid of such short-sightedness. Practical experiences teach us only too well that in many cases foreign capital is invested in German concerns only for the purpose of destroying their export trade, either through the foreigner's right to a voice in the business being used to fathom the manufacturing secrets and methods and to transplant these abroad, or through unscrupulous directors being appointed to undermine the strength of the enterprise in competing with foreigners. More than ever, the war is teaching us that German organization celebrates its greatest triumphs, even along industrial lines, when foreign influence is kept away; likewise that German capital would then be at hand in superfluity to back all German concerns without need of foreign help. German capital ought not to be put at the service of foreign industrial undertakings under German leadership until domestic industry

no longer needs it. Support must proceed from within outward, not from without inward.

Our export trade will be helped if the flow of German capital into foreign countries is stopped.

THE BLESSINGS OF FINANCIAL BONDAGE

It is primarily the duty of the banks to afford the guidance and instruction needed in this situation. We must, however, admit the deplorable fact that in many cases it is by the banks themselves that the German manufacturer is denied a just appreciation of his circumstances. The old proverb—"a prophet is not without honour save in his own country"—still holds true. Between the manufacturer who is seeking capital and many German banks there exists a profound antagonism which expresses itself even in the first proposals. The banks rightfully demand a thorough preliminary investigation by an industrial expert, and also an examination from the business standpoint. Here they make a mistake by stipulating that the investigation is to be conducted by their own employees. The manufacturer opposes that for two reasons, one of which is certainly justified, and often

the other also (according to the character of the bank). The manufacturer takes his stand against the industrial employee, because he is of the opinion that, as an employee, the latter cannot judge objectively, and because it is possible that the bank in question stands in closer connection with another concern of the same kind, so that manufacturing secrets and advantages might most easily be communicated to the latter.

It cannot be denied that this opinion has a certain justification. A compromise, satisfactory to both parties, will be found if independent experts from outside are entrusted with the examination. The manufacturer, further, justly opposes the bank's wish to make a simultaneous business investigation, which allows it an insight into the most intimate circumstances of the undertaking, an insight which considering the close connection of banks with each other can become dangerous if the demand for capital is not granted. As a general thing the business investigation ought not to take place until, upon the basis of the industrial investigation, the bank has declared itself thoroughly in favour of granting the capital, provided that the business conditions be sound.

The judgment of German industrial undertakings by the banks with a view toward financing them must be kept purely objective in future.

RELATION OF INVESTMENTS TO INVASION

German capital, as a matter of principle, ought to take stock in foreign enterprises only when its influence upon their management can be permanently preponderating, for the purpose of promoting our export trade, or of supplying German industry with raw material. In certain cases such an interest will be acquired as a provision for opening up new channels for German workmanship. If such an investment in the stock of a foreign concern is made solely by industrial circles who have a special interest in the shipping business which that concern will carry on, they will be justified in putting up with comparatively low dividends, provided that other profits or benefits result from the shipments, and that German industry is assured of receiving all future deliveries. In no case, however, should our industries themselves buy the foreign stock ; this can be allowed only the capitalist circles related to them. Industrial concerns should be builders, not bankers ; their funds ought to be applied

solely within their own business. These related capitalists can exercise sufficient influence over the foreign concern in favour of our industries.

Capital in the service of our domestic industries must be absolutely debarred from acquiring an interest in foreign concerns, even for the purpose of safeguarding our imported supplies, because such participation might in a financial way involve a weakening of domestic efficiency.

Innumerable industrial values have been destroyed by the war. Their restoration will demand increased activity from Germany's industry, which will doubtless require an abundant supply of capital to accomplish the coming tasks. The economic and financial preparation for supplying this capital needed after the war ought to be carried out and finished in good season. Likewise German capital should be made aware in good season of the advantages which it can gain from participating in German industrial enterprises. Too much illuminative instruction cannot be given in this matter, if the following demand is to see fulfilment :

German capital for German technical industry.

